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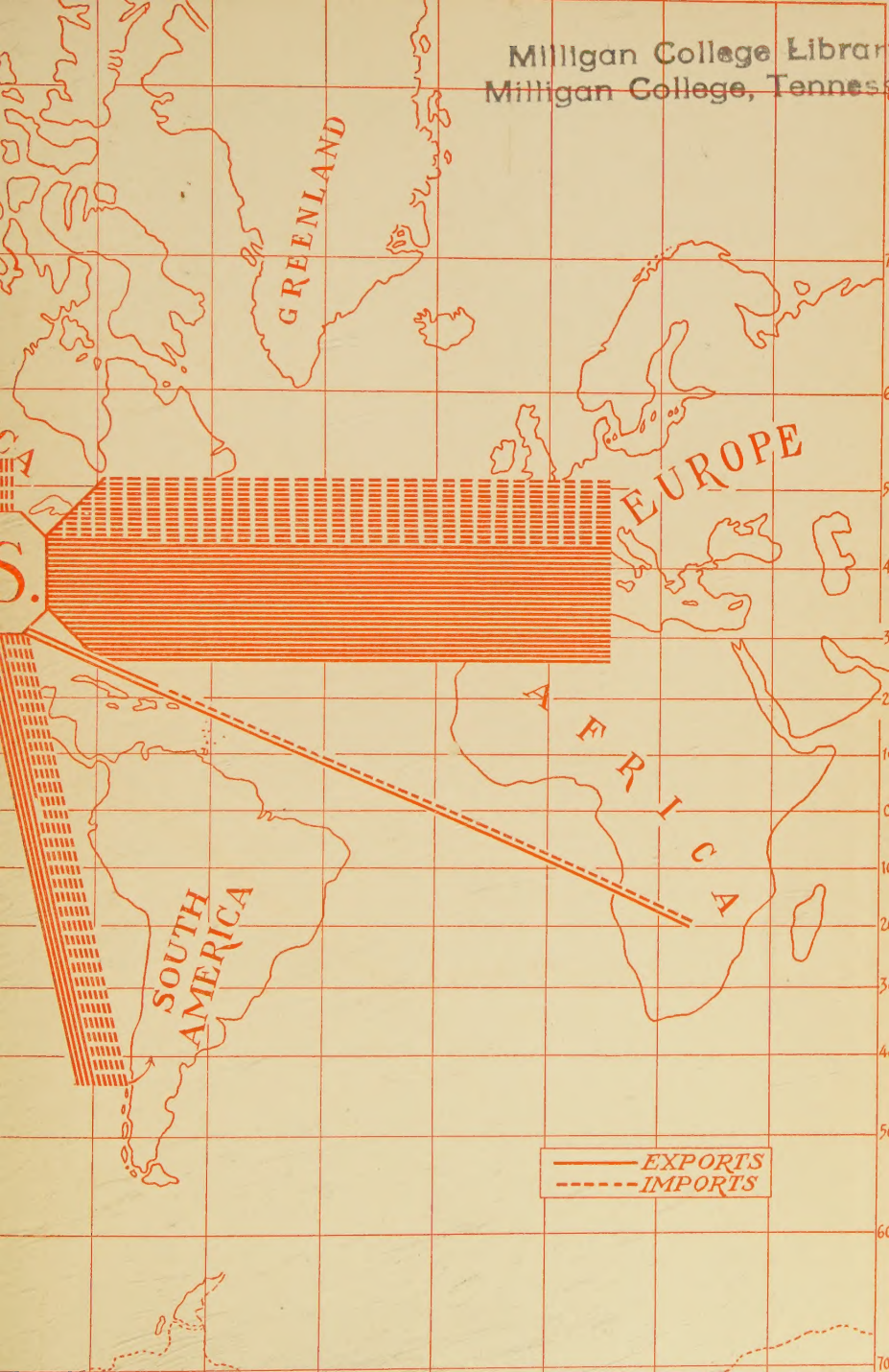

AMERICA AND ENGLAND?

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AMERICA AND ENGLAND?

NICHOLAS ROOSEVELT

Author of "The Restless Pacific" and "The Philippines, a Treasure and a Problem"

NEW YORK

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PREFACE

THE purpose of this book is to appraise the relative positions of the United States and the British Empire in the world today. Englishmen realize more keenly than Americans that the economic power of the United States has far-reaching international implications. Americans, unaware of the strength of the British Empire, are inclined to view with the complacency born of ignorance the apparent decline of Great Britain. On both sides lack of information in available form has prevented a proper understanding of the commercial and financial factors which are so important in determining the future of the United States and Britain.

For this reason I have stressed the economic fundamentals—the mineral resources which are the bases of industrialism; the surplus production out of which commerce grows; the organization of finance on a world scale, and of shipping. These matters

affect naval power and the freedom of the seas which, in turn, colour diplomatic relations. Finally, I have suggested some of the "imponderables" which are due to differences of custom and tradition and out of which misunderstandings have arisen.

The very scope of the subject precludes comprehensive treatment. Hence many important problems are ignored or but briefly noted. But if the book helps to direct thinking along factual lines and so removes some of the misapprehensions of Englishmen and Americans it will not have been written in vain. Enduring friendship and practical cooperation between the English-speaking peoples rest on understanding and knowledge, not on ignorance, sentimentality or prejudice. Effective idealism is rooted in realism.

NICHOLAS ROOSEVELT.

New York, November, 1929.

AMERICA AND ENGLAND?

I

THE COURSE OF EMPIRE

NEITHER the ailing Philip of Spain nor the vigorous Elizabeth of England quite realized that the storm which helped Drake drive the Spanish Armada to destruction marked one of the turning points in the history of the world. From that decisive moment onwards British supremacy was assured. The British navy, supporting British merchant adventurers, helped in the opening up of distant lands and in the defence of those near at hand. Four times afterwards this sea supremacy was threatened. First, when Stuart slackness had permitted the navy to rot, the energetic Dutch admirals sought to cripple Holland's great commercial rival. Dutch ships sailed up the Thames and fired the English fleet. But in the end the Dutchmen were driven back into their canals. Holland's bid for world supremacy failed.

Then came the Grand Monarch of France, dreaming of European suzerainty. On land he was supreme. But his parsimonious ministers failed to arm, equip or train his navy adequately. When it met the English fleet, France's hope of subduing England sank with her futile ships.

The dream of French hegemony had not died, however, and at the beginning of the last century Napoleon likewise sought the downfall of England. With greater vigour and shrewdness he struck more effectively than had his predecessor. The English were inclined at first to neglect him, but slowly they made their preparations and ultimately inflicted on him the succession of defeats that ended in the humiliation of St. Helena.

Towards the last quarter of this same 19th Century a new menace to British supremacy appeared. The first signs were in economic fields. Germany, enriched beyond her golden expectations by the iron deposits which she had seized from France after the war of 1870, began to develop her industries and to compete in foreign markets for England's trade. Had her leaders been willing to con-

tent themselves with economic activities they would probably by now have achieved their objective.

But to the economic race they added naval competition. So near to England, the threat of the German navy could not be ignored. When it became obvious that Germany was deliberately making a bid for world power, and when her leaders openly proclaimed that England alone stood in the way of her ambitions, it was plain that the challenge would have to be met. The first step was to increase the English naval program so as to keep ahead of the Germans. When at last the inevitable war broke out England could not stand aside. Out of the fray she emerged with her naval supremacy more firmly established than ever in Europe. The German fleet was sunk, the French and Italian fleets were crippled. Russia was out of the picture.

But across the Atlantic a new power had appeared, incredibly rich, with a large, self-confident population, and with no reverence for the vested interests of Great Britain in the seven seas or in the markets of the four corners of the world. This power, formerly in debt to Europe, now was owed

billions of dollars by the nations of that continent. Its industries had been greatly expanded during the war, and its merchants were scouring the earth for markets for their products. As if this were not enough its shipyards were busy turning out merchantmen by the dozen and building a navy which bid fair to be larger and more powerful than that of Britain.

In England the significance of these things was at once understood. In the United States it is as yet scarcely realized. The platitudes of peace advocates, the extravagances of big-navy men, the plaints or boasts of publicists on both sides have served merely to obscure the relations between these two great powers. There have been many loose statements—some spiteful, others arrogant, most without accurate knowledge of the facts. It has been said that England's day is done; that America's commercial and financial expansion overseas cannot last and is due only to war profiteering; that England will fight rather than permit the United States to have a navy as strong as hers; that the United States, moved solely by pride and arrogance, is seeking to

force England into second place and dominate the world; that America's trade is edging out the trade of England and Europe in Latin America and elsewhere; that England is encouraging anti-American propaganda throughout Latin America; that New York is displacing London as the financial centre of the world; that America cannot possibly hold her present position as foreign financier.

When an international balance sheet is drawn up it shows that most of these ideas are without basis of fact. True, it also shows a situation which is only imperfectly apprehended on either side of the ocean. It suggests that the material power of the United States is far greater than the world yet realizes but that in using this power the American people are sorely handicapped by inexperience in world affairs. In comparison the resources of the British Empire appear neither so voluminous nor so accessible whereas England's long experience in world trade, finance and diplomacy gives her advantages which are inestimable. To offset these she suffers from super-conservatism, which has made her leaders reluctant to adapt themselves to changed conditions.

THE INTERNATIONAL

UNITED STATES

	Advantages	*Disadvantages*
GEOGRAPHY	Concentrated territory centrally located with respect to Europe, Far East and Latin America.	
RESOURCES	Enormous and varied; oil, coal, iron, etc., in abundance.	Lacks tropical products.
PRODUCTION	Extensive use of machines; plentiful raw materials; excellent management of industry; active, contented labour.	Lack of skilled laborers.
FOREIGN TRADE	Enormous industrial output with increasing exportable surplus; increasing demand for foreign goods.	Inadequate experience and organization; unsatisfactory connections abroad.
INTERNATIONAL FINANCE	Increasing reserves of new wealth, with large surplus of capital.	Lack of experience in foreign financing.
SHIPPING	Large oil stores.	High cost of building and operating ships; poor personnel; hampering laws; inadequate service.

BALANCE SHEET

Great Britain

Advantages	*Disadvantages*	
Nearness to Europe.	Territory scattered throughout world.	Geography
Ample good coal near sea in England; undeveloped mineral reserves in Empire.	Minerals dispersed and incomplete; dependence on foreign nations for food and raw materials.	Resources
Skilled labour for high-grade manufactures.	Inadequate use of machinery; backward management; labour troubles; inadequate raw materials in home islands.	Production
Long experience; old connections; smooth organization; perfection of auxiliary services.	Decreasing production; increasing competition; lack of adaptability.	Foreign Trade
Splendid organization; good connections and experience; large investments abroad.	Excessive taxes on British wealth.	International Finance
Sea tradition; old connections; world-wide service; cheap operation.	Lack of oil.	Shipping

United States

	Advantages	*Disadvantages*
Navies and Defence	Compact homeland with large resources; no close neighbours; concentrated fleet well trained.	Inadequate support of navy and preparedness; blindness of leaders; slowness to act; defencelessness of Philippines. Few bases.
Government Organization	Lack of internal tariff barriers.	Clumsy organization; parochial-minded officials; rotation in office.
Diplomacy	Isolation and no strong neighbours.	No continuity of policy; ignorance and inexperience of personnel.
Race	Good homogeneous stocks; healthy and energetic.	Unassimilated foreign groups.
Customs and Traditions	Premium on activity and efficiency; ingenuity and enterprise.	No feeling of responsibility among public officials; lack of strong nationalism.

BALANCE SHEET—*Continued*

GREAT BRITAIN

Advantages	*Disadvantages*	
Sea tradition; large navy and merchant marine, well-trained; expert war planners; support of naval needs; many good bases.	Dispersed territories and lines of communication; lack of oil and raw materials; nearness to powerful neighbours.	NAVIES AND DEFENCE
Trained personnel; co-ordination of government; active support of overseas interests.	Lack of unity of Empire; nationalism among subject peoples; imperial tariff barriers.	GOVERNMENT ORGANIZATION
Highly trained personnel; consistent policies.	Dependence on European policies; reactions to events in all continents.	DIPLOMACY
Good stocks in British Isles and Dominions.	Varied and backward races in Empire; English working class impoverished and undernourished.	RACE
Responsibility of governing class; sense of public duty; unfailing loyalty to British interests.	Ultra-conservatism; business nepotism; caste system.	CUSTOMS AND TRADITIONS

Two main questions are interrelated: is America's power a mere transient inflation due to the World War and its aftermath with the result that Britain is, in fact, still supreme? Or does America's new wealth rest on firm foundations and are we witnessing another shift in world power such as occurred when the Spanish Armada was dispersed?

In determining the answer to these questions it is necessary to ask many others. The geographical factors must be considered so as to appraise the advantages of America's central position in relation to Europe, the Far East and South America as compared to England's scattered Empire. The resources of the two nations must be examined with a view to determining in what they are rich and in what poor. Their industrial development must be studied and the trends examined over a period of years. So also the relative growth of American and British foreign trade must be ascertained in order to see to what extent they are, in fact, rivals. The expansion of America's foreign loans compared with those of England must likewise be examined. What caused the steady growth of England's and the rise and fal

of America's merchant marine? The naval question cannot be properly understood without a full realization of the force of England's tradition that her safety depends on the control of the sea. So also it must be realized that the United States has fought three wars when foreign nations have interfered with her commerce as a neutral. There are questions of government, race, custom and tradition, many of which can be answered only in suggestive rather than in positive terms, but which may not be ignored if a full understanding of Anglo-American relations is to be had.

The story is one which makes up in importance what it lacks in dramatic interest. The forces at work are not those of war and colourful diplomacy. The actors are not warriors or statesmen, but rather scientists, engineers and "captains of industry". Miners in Minnesota are pitted against the sailors in the King's Navy. Inventors of machines which increase production in the United States are competing with labour leaders in Britain. The industrial revolution, begun in England, is being carried to its logical conclusion in the United States where a

new civilization is being formed in which the labouring man is rich in wealth and leisure where his European counterpart is still a slave to low wages. Mass production is triumphing over cheap labour.

The comparison has often been made that the United States is today in much the same position with relation to the rest of the world as was England after the Napoleonic Wars. There are enough similarities to make the parallel instructive. England found herself in 1815 economically strong in the face of an impoverished Europe. Her industries had been greatly expanded during the war, and she was enjoying the accumulated wealth of the first fruits of her surplus coal and iron trade. Her prestige was great. England's Allies were forgotten in giving Wellington the credit of having won the war. To the sums which England had paid out to Austria and other nations as subventions were added the extensive advances in the post-war years to the governments of the old and the new worlds. In fact, England was at the height of her power, and entered upon the 19th Century confident, wealthy and without rivals.

Since 1920 the United States has enjoyed many of the advantages that were England's then. America came out of the World War with less material and human losses than did England, to find a world shattered and nearly bankrupt. Her productive capacity was greatly enlarged, her financial position was strong, and the world heavily in her debt both for war advances and for reconstruction loans. For the nonce her prestige was great.

But in two respects at least the United States today is in a different position from England a century ago. No nation then could contest England's supremacy or offer effective competition in her world trade and finance, whereas the United States today has in Britain alone a formidable rival. The English embarked upon their century of world supremacy with an organization trained in the conduct of world affairs and accustomed to deal with foreign peoples and to trade in all parts of the world. In contrast the United States has had little experience abroad, having, instead, devoted all her energies to the internal development of her recently conquered continent.

A new situation thus exists. A nation more active industrially than any which the world has yet seen is being forced by circumstances to take a part in world affairs which it has heretofore proudly shunned. Its people are still indifferent and its leaders are unaware of the responsibilities which this power places upon them. To be sure, there are signs that they are learning, and experience shows that Americans possess ready adaptability. But there should be little surprise at the dismay of thoughtful Englishmen when they view the clumsiness and apparent irresponsibility of this nation which their ancestors fathered.

Despite this dismay there are many citizens of the British Empire who would like to see a working partnership devised with the United States. Americans share this ambition. But before it can be even discussed as a practical problem many misapprehensions must be removed. The old distrust of the English "when they come bearing gifts" is still latent in America. It has its counterpart in the resentment of many Englishmen at America's method of protecting her own interests. There are

jealousies to be rooted out—old ones in the United States, new ones in England. In fact, the problem of Anglo-American relations involves a mental reorientation on the part of all the English-speaking peoples.

Closer contact cannot be avoided. Not even occasional estrangements between England and America can prevent the strengthening of the ties between the United States and the Dominions. But only by a careful examination of the economic factors that underlie the political and social relations of the English-speaking nations is it possible to determine whether Anglo-American rivalry precludes cooperation between the United States and the Empire. Such an examination is attempted in the following chapters.

II

STEEL, OIL AND EMPIRE

FUEL IS the life force of our machine age. Coal and oil—and, to a lesser extent, hydroelectricity—are the sources of industrial strength. Man-power has been largely displaced by machines which consume coal and oil. This means that the nation of enduring power must possess or control large reserves of fuel.

Prior to the use of machinery coal was unimportant, but with the industrial revolution it became vital. First to use it effectively in industry, the English built up with coal the great manufactories which gave them industrial supremacy till the end of the 19th Century. Due to the nearness of English mines to the sea, and to the fitness of the coal for bunkering, Britain took the lead in the development of steam shipping, as well as of industry. As cargo for outward bound ships, coal helped reduce the cost of carrying imports on the return journey. Coal exports paid for needed raw materials not pro-

duced in the British Isles. In short, thanks to natural advantages wisely used, the British, whose empire of trade had been in the making since the days of Elizabeth, became in the days of Victoria the dominant commercial power in the world. Until 1890 British trade was universal, while that of France, Germany and the United States was regional. British goods were carried in British ships to the remotest ports of the globe, and were distributed by British merchants in foreign lands, often over railroads built by British capital and operated by British engineers, burning British coal in British-made locomotives, hauling British cars.

But coal is not inexhaustible. As time went on, England saw her coal mines deepening. Owing to this and to the failure of the British mine owners to modernize their methods and machinery, England found her own production costs mounting at a time when new supplies of cheap coal were being opened by other nations. English fuel began to be displaced, and industries rose in the new coal-producing countries, handicapping British exports and production.

These changes have led experts like Mr. E. C. Eckel [1] to predict that with the steadily dwindling fuel supply the British Isles would never again be so overwhelmingly important as they were during the nineteenth century. To counteract this, however, he sees in the Dominions and the colonies overseas the means for renewing the ascendency of the Empire as a whole.

Grown rich and powerful on coal, the conservative English were naturally slow to manifest a practical interest in oil. This was due in part to the lack of oil deposits in Great Britain, and to the small share of the world's reserves (estimated at only 6 per cent [2]) within the territories of the Empire. But when, coincident with the growing disadvantages of Britain in competition with the cheap coal of the United States and Germany, it became clear that oil was destined to play an ever more important rôle in the world's economic system, the British leaders began to change their attitude.

In this as in other emergencies England fortunately had the services of men of vision, even though, like the prophets of old, theirs often were

but voices crying in a wilderness. Such an one was Lord Roberts, apostle of preparedness. Another was Lord Fisher who, as early as 1882—long before the automobile or oil burning ships were regarded as commercially practical—had begun preaching the need for England to obtain adequate reserves of oil.

Just before the war Mr. Winston Churchill took up the theme, but prior to 1917 England's policy of seeking oil fields abroad was haphazard, albeit increasingly successful. The perils of dependence on foreigners for oil became so apparent towards the end of the World War, however, that the British Government determined to take whatever steps might be necessary to rectify the oversight of nature in not placing adequate oil supplies under the British Isles.

The story of England's moves since the World War to bring under British protection the undeveloped oil resources of the world is set forth—perhaps overdramatically—by Mr. Ludwell Denny in his book "We Fight for Oil." Passing over details in his study, it is interesting to note these major

points: 1. The British Government, as such, began in 1917 to obtain control through British interests of as much as possible of the world's oil reserves outside the Empire. 2. In the search for exclusive oil concessions abroad, the British Government, already part owner in the largest English oil companies, backed them to the limit. 3. Although this struggle was primarily to obtain oil reserves for Britain rather than to prevent America from acquiring foreign oil holdings, the British succeeded in excluding Americans from numerous large fields and gave the impression that this was one of their chief objectives. 4. The State Department made up for its delay in looking after American interests by the vigour with which it fought England's efforts to monopolize the Mesopotamian oil fields.

As early as February, 1920, however, the *London Financial News* announced that Great Britain's "present command of the world's oil resources runs to no less than 75 per cent of their entirety, compared with less than two per cent when the country went into the war." [3] Such an estimate is not to be taken too literally. Aside from the element of wish-

ful thinking it is faulty because it is based on inadequate knowledge of the extent of individual oil deposits. It should be qualified by the observation that the control is not so much of actual oil reserves as of exclusive concessions in regions believed by geologists to contain the largest untouched oil fields, whereas in those fields in which exploitation has been thorough, i.e., the United States, parts of Mexico and the Caribbean, production has been so enormous that it cannot but have begun to exhaust the resources of the Western Hemisphere, on which the United States depends. This country alone, during the last fifty years, has produced two thirds of the world's total oil supplies.[4]

But fuel is not enough for the development of a great industrial power. The backbone of the machine age is iron. Accessible reserves of iron ore are, therefore, sources of potential strength and wealth. When these are near adequate coal deposits the makings of steel are at hand. The existence of good iron mines close to the coal fields enabled England to take the lead in the production of machinery, rails and steel for many decades.

The nations are not equally fortunate in the possession of these essential minerals. There are, in fact, only four great steel producing regions in the world—that is, regions in which the available supplies of suitable iron ore, good coking coal, limestone and other ingredients are so plentiful and accessible that they invite the establishment of large steel plants. Of these one is in the United Kingdom, one along the Franco-German border, and two in the United States—the Birmingham district, and the Chicago-Pittsburgh area. The relative importance of these districts may be judged from the fact that in 1927 and 1928 Great Britain produced less than 9 per cent of the world's steel output, the Franco-German region, including France, Germany, Belgium, Luxemburg, and the Saar, produced a little more than 30 per cent and the United States just under 50 per cent.

The importance of iron and steel is obvious. Not an automobile nor a railroad train nor a steamboat, not a modern office building, not a tool, nor any mechanical device, but is made in part of steel or iron. The world's annual output of steel alone is

about 100,000,000 tons today. In 1880, it was only 4,000,000 tons.

Other bulk metals also are vital in modern industry. Of these the most important are copper, nickel and aluminium. From the point of view of the present study, however, it is not as necessary to consider the part played by the subsidiary metals as to distinguish between the so-called "tonnage" metals and the "pound and ounce" metals. The importation of such "tonnage" minerals as coal, iron, copper or oil imposes a great burden on transportation with attendant large freight charges which add to the cost of production, whereas the "pound and ounce" metals are easily shipped.

A natural corollary of this is that raw materials —especially the "tonnage" minerals—are more useful when concentrated within the home territory. The United Kingdom, for example, does not enjoy as great benefits from the raw materials scattered throughout the Empire as does the United States from those within its own borders. Distance, time, taxation, insurance and other factors, including even political elements, hamper the utilization of

imperial resources. Specifically, the iron deposits of Newfoundland would be worth more to Great Britain—and to the Empire—if they were in Yorkshire or Cornwall.

In war, the disadvantages of decentralized possession of resources are even greater than in peace. The nation whose essential supplies of the key materials are within its own borders, beyond the easy reach of enemy ships, guns or airplanes, is more fortunate than the nation whose supplies must run the gauntlet of enemy submarines, commerce destroyers and cruisers.

In this respect supplies from imperial sources are no safer than those from neutral nations. The transport of both depends on control of the seas. The United States, the Argentine and various neutral nations, furnished as much of the food and war supplies of Britain during the World War as did the parts of the Empire.

Failure to appreciate the difficulties of transporting supplies during war led Europeans in the 19th Century to place a disproportionate emphasis on the mere political possession of raw materials in

overseas colonies. It was assumed that they would be uniformly available because they were under one flag. Thus even the British Admiralty proclaimed the theory that control of oil is essential to control of the seas. The truth is, of course, exactly the reverse. As Messrs. Davenport and Cooke pointed out,[5] without control of the seas in time of war, control of oil in distant parts of the world is virtually impossible. Of what good would be large reserves of petroleum in Persia, India, Singapore or Venezuela if the British navy could not protect the fleet of tankers required to transport them, and, in the case of British-owned or dominated territories, if the navy could not defend them from the enemy?

But the force of this doctrine is not yet spent. Control of large supplies of raw materials is still the ambition of various people. Until recently the fashion in empire building was conquest—usually in the name of "civilization." Where this has been impractical the exclusive control of raw materials has been sought through diplomacy. The Anglo-Persian Oil Company, for example, obtained the

monopoly of the oil fields in Persia. As this company is largely owned by the British Government the monopoly may be said to be, in effect, under British Government control. In 1920 the San Remo agreement was initialed by Great Britain and France. It provided for the division of the potential oil developments of Asia Minor between these two nations to the exclusion of other participants in the World War. Against this, as against other attempts to obtain exclusive concessions abroad, the American policy of the "Open Door" has been directed.

Financial control of foreign resources without the participation of the home government is also a common form of imperialism. British and American capital is extensively employed in the development of mineral and other resources of foreign countries. Both are interested in the development of Brazilian iron mines. Great Britain has large investments in Chinese coal mines and Spanish copper mines. American finance plays an important part in the production of Canada's nickel. American and British capital is invested in South American copper

mines. When the control is of one or more vital industries as in some of the Central American countries, the owners often can exercise influence over the local government, either directly through the cupidity of local officials or by the intervention of the home government. To offset this, however, the foreign governments may retaliate by increasing taxation or by passing anti-foreign legislation.

As much a part of the picture as the search for raw materials are the attempts to protect reserves so that they may best serve the owning nation. In this as in other fields of conservation the record of the United States is deplorable. The pioneers, surfeited with natural resources, bred a race of wasters. They stripped the forests, exhausted the soils, exterminated the buffalo and other wild animals, and extracted the nation's mineral resources without a thought for the morrow. Even though this may have been economically justifiable at the time it is small wonder that the American government, with such a history to contend with, has been virtually powerless to place any check on the continued reck-

less exploitation of natural resources and the ready sale to foreigners of raw materials. The expedient of an export tax—one of the few weapons of control which might have been successfully employed —is prohibited by the Constitution. Not even public opinion can be mobilized in behalf of America's interest, as it is ignorant of the problem and more inclined to boast than to be distressed by the exhaustion of its resources. To be sure, American opinion is occasionally aroused when a Briton gloats publicly that England is making the Americans "pay through the nose," for rubber or some other article, thanks to British restrictions on production. But America continues to play the prodigal with her own resources.

Oil is a case in point. The deepening coal mines of England, as already explained, have helped to drive home to Englishmen the importance of oil and the advantages of obtaining for their own exclusive use all possible reserves of oil within and without the Empire. In the United States, however, neither the repeated warnings of geologists that oil supplies are not limitless nor the actual drying up

of well after well in the Eastern fields have made any impression. The answer of the producers has been to tap new wells and to ask for a tariff on foreign oils so that they may be protected from foreign competition while they exhaust America's reserves as rapidly as possible. To be sure, new technological developments such as improving the processes of "cracking" will help for the time to keep costs down. But unless some other source of power is developed which will bear to oil the relation that oil bears to coal—as, for example, the cheap derivation of liquid fuel from coal—the United States may find that it will have to turn to the British for supplies of this commodity which is of vital importance in the lives of every man, woman and child in the United States and which, during the last half century, the nation has produced and consumed in reckless abundance.

England, thinking imperially, has followed the opposite tactics. Not only has she bought American oil products freely, but through the Royal Dutch Shell interests she has taken an extensive part in the exploitation of American oil production within

the United States at the same time that she has protected her future requirements by obtaining untapped reserves elsewhere.

In other ways, as well, Great Britain has protected her own interests. The export tax, for example, has helped to save British raw materials for British manufacturers in various parts of the Empire. Likewise a policy of restriction of output of near-monopolies has been attempted, to the temporary discomfiture of foreign purchasers and the ultimate loss of the British producers. The outstanding example of the use of the export tax to protect raw materials is that levied on tin ore in the Federated Malay States. This included a prohibitive export duty [6] unless a guarantee was given that the ore would be smelted in the British Colony of the Straits Settlements, or in Great Britain or Australia.[7] The real object of the tax, as Mr. William S. Culbertson put it,[8] was to nip in the bud any possible competition from America with the virtual monopoly enjoyed by the smelting plants in the Straits Settlements. Unable to match American technology in smelting, they sought by this export

prohibition to keep the manufacturers' profit for themselves.

A similar incident occurred in connection with the bauxite deposits in British Guiana, which were acquired with the express understanding that the aluminium was to be reduced in the British Empire. In this instance Canada was the chief beneficiary. So also for years the British sought to dominate Canada's nickel monopoly, at the expense of other nations.[9]

The attempt to restrict the output of rubber is now a well-known story. The hope was to effect a combination with the Dutch planters in the East Indies who, with the British, produce practically all the rubber in the world. By keeping down production it was the purpose to insure a constant high price from the purchasers. Inasmuch as the United States uses about 80 per cent of the world's rubber, the American consumers were the chief sufferers. But the Dutch did not join, thus dooming the project since its success depended on establishing a monopoly. A temporary elevation of the price of raw rubber to a point which made millionaires of

many speculators and a few planters had the inevitable repercussion of uniting the American consumers against the English producers, to the net profit of the Dutch. Few, if any, are the successful instances of this sort of interference with economic laws. The temporary advantages are almost always outweighed by ultimate disadvantages.

In order to show more fully the relative positions of the United States, the United Kingdom and the Empire as a whole with respect to supplies of essential raw materials, the following table has been compiled indicating the percentages of the world's estimated reserves of four leading minerals held by these countries: [10]

TABLE OF RESERVES

	Percentages			*Ratios*	
	U. S.	*U. K.*	*Empire*	*U. S. to U. K.*	*U. S. to Empire*
Coal	40	4·3	17	9-1	2-1
Iron	14·5	3·7	15	4-1	±0
Copper ...	34	trace	14.2	34-1	2.4-1
Nickel ...	trace	trace	90	0	1-90

A number of points should be borne in mind in examining this table. First, as the figures are only estimates their value is relative rather than absolute. They indicate comparative wealth only. Second, the distinction between the United Kingdom and the Empire as a whole is important because, as already indicated, the Empire is not a unit, either economically or politically. In peace as in war, the fact that its resources are scattered is in contrast with the concentration of America's reserves within a single territory. Third, the figures indicate political possession alone, and take no account of supplies of raw materials controlled by American or British capital in foreign countries.

Even when the comparison is made with the reserves of the Empire as a whole it is clear that America's position is indeed fortunate. The United States has more than twice the Empire's coal and copper and about the same reserves of iron. Although the Empire controls nearly all the world's nickel the fact that 90 per cent of this is in Canada and that the largest mines and smelters are just across the American border gives American con-

sumers the advantage of easy access and cheap transportation. In reserves of oil the Empire is more fortunately provided than is the United States, thanks to extensive untapped fields under British control. But the remaining oil fields in the United States or controlled by American interests are sufficient to produce large amounts of oil for the next generation. One authority [11] is of the opinion that America has oil enough to last for a hundred years. On this point there is so much dispute that caution prompts acceptance of more conservative estimates based not only on the inevitable depletion resulting from the enormous production of oil in the United States within the last fifty years but also on the known records of deposits which have been exhausted by actual exploitation.

When, however, comparison is made between the reserves of the United States and of the United Kingdom alone, it is seen that America's position is even more advantageous than in contrast with the Empire as a whole. America's coal and iron reserves are to those of Great Britain as 9-1 and 4-1 respectively. This does not mean, of course, that Eng-

land has exhausted her coal and iron. She has enough supplies to last for years. But, as will be more clearly shown in the next chapter, the English have been handicapped by the prolonged drain on the most accessible deposits, whereas America's comparatively enormous supplies of readily available coal and iron have given her the opportunity to develop industries on a scale vastly greater than in the United Kingdom. The conclusion is therefore inescapable, that in this industrial age in which the fuels and the metals are the prime sources of new wealth and power the United States, compared to Britain, has been royally endowed by nature.

III

THE SINEWS OF CIVILIZATION

ALTHOUGH a nation possessing large accessible reserves of coal, iron, oil and other minerals has the makings of industrial and commercial strength, all depends on how these resources are used. The Indians who hunted on the shores of Lake Superior were no better off because of the vast deposits of iron and copper under their feet. Prior to the industrial revolution England's coal and iron mines were comparatively unimportant. It remained for ingenuity, backed by energy and sustained by perseverance, to create the modern machine world which, while based on minerals, at the same time has facilitated their wholesale production.

So transcendent were the social consequences of the introduction of machines that the human aspect of the industrial revolution has usually been stressed to the exclusion of the all-important fact that the wholesale use of raw materials, and especially of

minerals, resulted in the creation of new wealth on a scale never before witnessed. In this new development British enterprise led the way. Contrary to the common belief the industrial revolution did not begin at the same time throughout the world, but occurred in England about forty years before it began in the United States, and nearly sixty years before Germany's transformation.

Great Britain during the better part of the 19th Century was doing much the same as the United States has been doing in the last fifty years—laying up vast reserves of new capital obtained from the sale of the products of her mines and manufactures and from the earnings of her carrying trade. England had the lead—in development of raw materials and in manufacturing, trading and financing. That was the heyday of Britain's primacy in the production of coal, iron and other essentials. With her savings she financed the development of mining, railroad building and other productive occupations throughout the world, finding abroad and in her overseas possessions new sources of raw materials with which to increase her manufactures and new

markets in which to sell these products. Lacking powers of consumption at home adequate for the absorption of her vast production, she assiduously cultivated her foreign trade.

This, as shown in the last chapter, had been greatly facilitated by the fortunate position of her coal and iron mines close to the sea. Prior to the development of railroads abroad—so extensively financed by British capital—the advantage which she enjoyed from the accessibility of her supplies of raw materials gave her a unique position in world commerce. But the building of railroads in other lands opened up new sources of coal and iron, and ultimately facilitated the development of foreign industries which were destined to compete with those of Britain.

Although Germany's industrial revolution began later even than America's, it was Germany which first seriously threatened British supremacy because America was working to supply her own instead of world needs. As in the case of Great Britain and the United States coal played a major part in the nation's development. But as might have been expected in

the light of England's industrial history, Germany's great expansion did not commence until she had acquired the large iron supplies in Lorraine as part of the spoils of the Franco-Prussian war. On the combination of the Ruhr coal and the iron from the former French territories the German state built an economic power that was soon to threaten British interests. By 1892 Germany's iron and steel output began to exceed Britain's. Whereas in the years 1871-75 the United Kingdom had produced 52% of the world's pig iron and Germany only 15.4%, the figures during the five years 1901-1905 were 21.8% and 23.2% respectively.[1] Germany's output had increased nearly fivefold, whereas England's increase was only about one third. By 1913 the proportion of the world's productions were 13.5% for England and 24.4% for Germany.[2] The great industrial development in all lines that resulted from the skilful utilization of the coal, iron and other resources of Germany made that nation by 1913 a formidable rival of Great Britain. Her total foreign trade for that year amounted to $4,966,000,000 compared to $5,771,000,000 for the United King-

dom.[3] When, in addition to competing with British commerce, Germany challenged Britain's naval supremacy the alarm and indignation of the British was natural.

In America expansion was inland. The western portion of the United States had much the same economic relation towards the older settled portions as the Dominions had to the United Kingdom. The East sent the West settlers, financed the development of the country, furnished the capital for the railroads, sold the people manufactures and bought their products. English and Dutch capital not only helped but profited from this westward movement.

America's industrial revolution, like England's, was closely associated with the development of coal deposits, and had its great impetus in the discovery of large, accessible supplies of high grade iron ore. The distance of the Lake Superior iron mines from the coal fields of Ohio, Pennsylvania and Indiana was compensated by excellent water transportation, which has made the development of vast steel industries cheap and easy, and by the fact that there were no political barriers to be crossed. But the de-

mands for home consumption were so great throughout the 19th Century that the United States was in no sense a rival for Europe. In fact during this period she bought English goods extensively, used British ships almost exclusively (after the Civil War) and made no efforts to seek foreign markets for her manufactured products. Her own markets absorbed all that she could produce.

The resultant savings from America's vast production of new wealth were not apparent at the time, owing to the rapid turnover and to the extent to which they were reinvested in new production. But the increasingly ingenious utilization of America's natural resources is, of course, the secret of her great prosperity today. The charge so often made that America fattened on the war sufferings of Europe does not bear up under examination. As well accuse the English during the Napoleonic wars of having grown rich on the losses of the Continent. What happened then and now was that war stimulated production in certain industries and so hastened the development of industrial activities. But the wealth which was England's after Waterloo,

like that which is America's today, was largely due to the new developments that resulted from a great increase in the use of the basic mineral raw materials. Since 1913 the United States has been producing as much or more than all the rest of the world in a number of essential lines, such as oil, copper, lead, iron, steel, sulphur and cotton. Is it to be wondered that disparity between the prosperity of the Americans and the Europeans is great?

In this connection the broad expanse of the United States and her rapidly increasing population should not be overlooked. Even though the rural population in the United States has not been growing as fast as the urban population, agricultural production has greatly increased. This is due in part to the continued opening of new lands, but more particularly to the increased use of machinery on farms and to more scientific methods of farming, especially the improvement in the breeds of animals and plants. As in the case of the minerals the United States has had the original advantage of boundless resources, in the development of which ingenuity in the application of mechanical devices has played a

prominent part. Finally, the perfection of the transportation system has made the output of agricultural products cheaply and easily available.

This reliance on mechanical power is one of the most characteristic features of America's development. Not only has the output of work been greatly increased by the use of machines but much unnecessary labour has been eliminated. Dr. T. T. Read of the Columbia School of Mines has shown [4] that the comparative output of work per person is nearly twice as great in the United States as in Great Britain and more than three times as great as in France. The Department of Commerce [5] has estimated that the per capita use of energy in the United States is thirteen times that of Japan and ninety times that of British India. In the manufacturing industries alone more than four horse-power are used for every American worker where a half century ago only a little more than one horsepower per head was used.

Although comparable figures for Great Britain are not available, Dr. Julius Klein, Assistant Secretary of Commerce,[6] has estimated that whereas the

per capita value of new machinery produced or acquired for home consumption in the United States was $23.66 in 1925, the corresponding figure in Great Britain was $10.19. Mr. Read has estimated that in one industry alone—coal mining—the output per head of American workers is three and a half times that of the British.[7] This is, of course, due largely to the substitution of mechanical power for human energy in the American coal industry.

But mechanical energy does not tell the whole story. It is only fair to recognize that just as the British took the lead in the industrial revolution and were ahead of the Americans in the development of early mechanical processes so the Americans have in recent years outstripped the British in combining science with ingenuity in manufacturing. The perfection of organization, the precision of operation, and the constant substitution of mechanical for manual activities which is so characteristic of the great American industries, have been made possible by a willingness to search the new and a readiness to scrap the old—a trait less common in British industry than in British trade and finance. In fact, it may

be said that America's pre-eminence in production and industry today corresponds to Great Britain's leadership in commerce and international finance during the last fifty years. American technique until very recently has neglected foreign for domestic markets and has concentrated on mass production rather than on world-wide distribution.

In one respect, however, American industry still lags behind that of England—the production of articles of high-grade quality requiring skill and patience on the part of the worker. Machines have made possible work of great precision. They are already replacing much artisanship. But the emphasis in the United States has been on quantity rather than on quality, on cheapness rather than on durability. The fascination by mere numbers or size is an American trait that had its origin in pioneer days. The man who could produce two bushels to an acre where his neighbour grew only one, or who raised the fattest hogs or the tallest corn, considered that he was that much better off than his fellow. The fact that the bacon might be over-greasy or the corn tasteless did not count so much as did mere

mass. It is a characteristic of people in new lands to be prodigal in consumption as well as in production.

But it would be a mistake to believe that because the United States has so far not offered much competition in many of the quality manufactures she will forever keep out of these fields. As will be more fully shown in the next chapter the United States has been undergoing a remarkable transformation in the last half century. Originally an exporter of raw materials and importer of manufactured goods, the United States is gradually developing her industries so that she is today an exporter of manufactured goods and an importer of raw materials. This transformation has been logical—from the production of crude materials through the refining process to finished goods. The plainer types of manufactures have been succeeded by the development of high-grade goods with the result that Americans are beginning to compete in fields formerly held exclusively by Germans, Swiss and other Europeans, as, for example, in the manufacture of watches.

The extent to which the United States has devel-

oped her production of the essential raw materials may be judged from an examination of the following table showing the percentages of the world's total output of a number of key materials furnished by the United States, the United Kingdom and the British Empire as a whole: [8]

TABLE OF WORLD PRODUCTION

SHOWING PERCENTAGES OF TOTAL WORLD OUTPUT OF CERTAIN RAW MATERIALS FURNISHED BY THE UNITED STATES, GREAT BRITAIN, AND THE BRITISH EMPIRE (INCLUDING THE UNITED KINGDOM).

MINERALS

	Percentages			*Ratios*	
	U. S.	*U. K.*	*Empire*	*U. S. to U. K.*	*U. S. to Empire*
COAL	40	20	30	2-1	4-3
OIL	70	0	3	70-1	23-1
IRON ORE	45	8	10	5½-1	4½-1
PIG IRON	45	8	10	5½-1	4½-1
COPPER	55	1-2	6	40-1	9-1
LEAD ORE	80	trace	8	80-1	10-1
LEAD	40	trace	20	40-1	2-1
NICKEL	0	0	99	0	1-100
ZINC	45	4	11	11-1	4-1
TIN ORE	0	2	43	1-2	1-43
ALUMINUM	40	5	13	8-1	3-1
SULPHUR	80	0	trace	80-1	80-1
STEEL	50	9	10	5-1	5-1

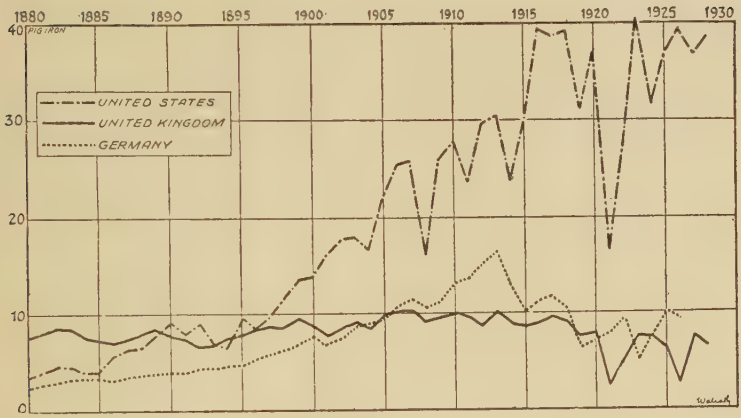
AGRICULTURAL STAPLES

	Percentages			*Ratios*	
	U. S.	*U. K.*	*Empire*	*U. S. to U. K.*	*U. S. to Empire*
COTTON . . .	55	0	8	55-1	7-1
RUBBER . . .	0	0	55	0	1-55
SUGAR * . . .	12	1	15	12-1	4-5
WHEAT	18	1½	25	12-1	3-4
WOOL	10	4	45	2½-1	1-4½

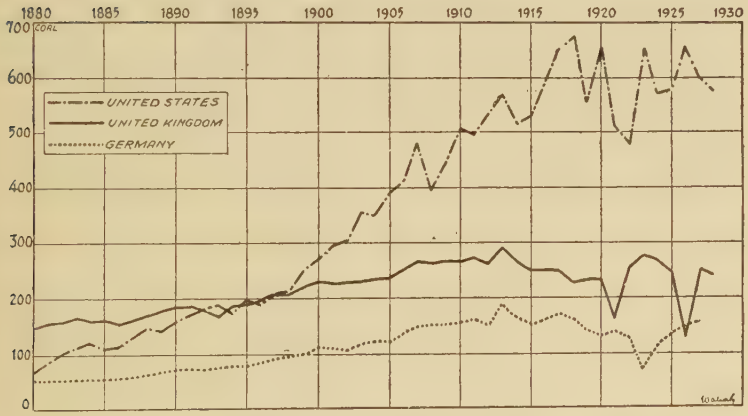
* Including that produced in Hawaii, Porto Rico and the Philippines.

America's share of these key materials is so enormous as to stagger the imagination. In bulk nothing has ever equalled it. In proportion it has been exceeded only by Britain's output during the half century following the Napoleonic wars. Herein lies its greatest significance. Although accurate statistics of production in those early days are not available, there is every indication that England's share of the production of the essential raw materials and minerals was greater then than is America's today.

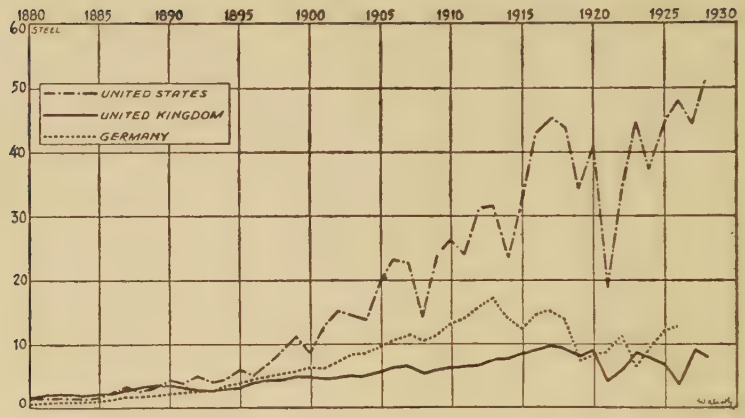
But a clearer picture of the change in the position of the two countries may be had from examining the accompanying graphs showing the production in actual tonnage of coal, pig iron and steel by the United States and the United Kingdom since 1880.



Pig Iron Production, United States, Great Britain and Germany, 1880-1928



Coal Production, United States, Great Britain and Germany, 1880-1928



Steel Production, United States, Great Britain and Germany, 1880-1928

The production of Germany has also been added as it has a direct bearing on the problem.

From these it is clear that the end of the century marked the turning point in the relative productive capacity of the three nations. Although America, because of her larger population and great domestic market, was the first to pass British output, Germany was nearer, better organized, and was more aggressive, especially in export trade, trying deliberately to undermine British supremacy. She therefore absorbed all of Europe's attention. Furthermore, as already indicated, until the World War,

America's exports of coal, iron and steel did not seriously compete with those from Europe, owing to the enormous demand for these products in the home markets. Only one prophetic voice was raised to call attention to the significance of America's growth. Brooks Adams, grandson of President John Quincy Adams, in his book "The New Empire" published in 1902, pointed out that world power was sure to shift from England to the United States as a result of the passage of the preponderance of mineral production from England to America. He was ignored at the time, however, especially by his countrymen who were accustomed to think provincially.

More significant than the disproportion in the relative output of raw materials of the United States and Great Britain are the comparative trends of production which are clearly shown in these graphs. Speaking broadly, England's output of coal, iron and steel has remained almost stationary for the last forty years while America's production has increased several fold. Despite inevitable depressions, as in the past, there is every indication that the de-

mand for America's coal, iron and steel will continue to be so large as to assure increasing productivity.

The relative trends in British and American production in the coal, iron and steel industries might not be so significant if in other industries of equal importance a different situation prevailed. But this, unfortunately for England, is not the case. England lost her supremacy in the production of machinery —with a few exceptions such as textile machines— before the World War. Today the United States produces 57% of the world's machinery and 80% of the automobiles.[9] Furthermore, in the textile industry itself, which has been so long England's major business, and has done so much to spread British goods throughout the world, that country has made comparatively little progress since 1900. The number of English spindles increased only 25% between that year and 1927. America's spindles increased 88% in the same period. Owing in part to this and in part to the development of the textile industries in China, India and Japan, Great Britain's share of the world's spindles has fallen

from 43% in 1900 to 34.7% in 1927, whereas America's has increased in the same period from 18.4% to 22.2.%

As will be more fully demonstrated later, the comparative stagnation of England's productivity has not been altogether due to natural handicaps, nor to competition from the rest of the world. There are times when conservatism does not pay, and British business men have become, perhaps by too prolonged success, over-conservative. They have been reluctant to scrap old plants for new ones that would greatly increase production. They have hesitated to modernize administration. They have been backward in experimentation and applied research. Finally, handicapped by an excess of labour, they have hesitated to replace manpower with machines during the last three decades when American industry has undergone a wholesale mechanization. A change is now in progress. But as happened in the case of the New England textile and other industries which had been subjected to a form of industrial nepotism, heavy losses may be expected when they are reorganized to meet modern competition.

To offset this comparative stagnation in the productivity of the United Kingdom there has not been an adequate increase in the production of the Dominions. The coal, iron and steel industries in Canada, for example, have tended to decline, rather than to increase, since 1913, owing in part to their inability to compete with the nearby American production. Australia's lead output has increased about 50%, her production of iron ore has doubled and her zinc output has increased tenfold.

But it would be a mistake to underestimate the potential productivity of the Dominions. They have not yet had as great an incentive as the United States to tap their mineral resources, being, for the most part, in an early stage of economic development. Despite the large proportion that will ultimately be required for home consumption, the Dominions' mineral reserves should prove useful to the Empire in years to come. It should not be forgotten, however, that the difficulties of transportation, the dangers of war and the jealousies of local politicians, combine to make Empire resources of less certain utility to the United Kingdom than if

TABLE OF CONSUMPTION

	U. S.		*U. K.*	
Products	*Per Cent*	*Source*	*Per Cent*	*Source*
Coal	100	U. S.	100	U. K.
Iron Ore ..	100	U. S.	67	U. K.
Copper ...	100	U. S.	25	Austr., So. Afr., Canada, G. B.
Oil	98	U. S.	3	India, Trinidad
Lead	100	U. S.	25	Australia, Burma
Tin	...	.....	60	Straits Settlements, Austr., G. B.
Nickel	...	.....	100	Canada, New Caledonia
Cotton ...	100	U. S.	25	Egypt, India
Wool	47	U. S.	80	Austr., So. Afr., G. B., India
Rubber ...	...	.....	75	Malaysia, Ceylon
Wheat	100	U. S.	50	U. K., Canada, Austr., India
Sugar	16	U. S. Hawaii, Porto Rico, P. I.	6	West Indies, Mauritius, U. K.

these were within a single territorial unit. The Empire is by no means an economic entity. Comparisons between the United States and the Empire as a whole should, therefore, be studied with reservations.

In order better to understand the effects of the relative productivity of the United States and the United Kingdom it is necessary to consider their relative consumption. Unfortunately, satisfactory British statistics are not available. But the table [10] on the preceding page indicates the relative proportion of goods consumed in the United States and the United Kingdom produced within the home territories and their overseas possessions. (The figure 100 indicates that the nation produces enough to meet the demands of home consumption.)

A further analysis of this table and of the table of production makes it possible to obtain an idea of the extent to which the United States and the United Kingdom are dependent on foreign or overseas sources for essential raw materials: [11]

TABLE OF DEPENDENCE

United States *	*United Kingdom*	
From Foreign Countries	*From Foreign Countries*	*From Overseas Possessions*
90-100%		
Tin Nickel Rubber Silk	Oil Sugar Silk	Nickel
75-90%		
Sugar *	Copper Cotton Lead	Rubber
50-75%		
Wool	....	Tin Wheat
25-50%		
	Iron Ore Tin Wheat	Copper Cotton Lead

* With the exception of sugar the United States obtains no important share of any of these products from her overseas possessions.

There are, of course, other materials essential in modern industry which are lacking in both countries. A partial list which includes many of the most important items follows: [12]

United States	*United Kingdom*
antimony	antimony
camphor	borax
coffee	camphor
iodine	coffee
manganese	iodine
platinum	mercury
rubber	platinum
silk	silk
	sulphur

The question of dependence will recur in connection with commerce and with defence. Here it is pertinent to note that, despite the large part played in the world's production of raw materials by the United States, neither that country nor the British Empire is self-sustaining. The lack of suitably developed lands in the tropics places the United States at a special disadvantage in the matter of tropical raw materials, which are each year assuming greater importance.

The mere fact that the United States has taken over the position as the world's largest producer, that England held between the Napoleonic and the World Wars, does not mean that the United States

faces the same opportunities that were England's in the last century. Unlike Britain then, the United States, as made plain in Chapter I, today has a formidable rival not only in the field of selling abroad, but also in the markets for the purchase of raw materials, and this rival's name is England. Furthermore she has, in Latin America, besides the English, sharp competition from the French and Germans. In the Far East Japan is added to England as a rival in the China markets. In Europe the United States has to meet the opposition of local industry and of a general resentment against America's strength and power. This takes the effective form of a campaign against the "Americanization" of Europe by flooding the European markets with American goods and "debauching" European minds by American ideas.

So bitter has been this anti-Americanism that reactionaries, still thinking in terms of the World War, have attempted to draw a parallel between the development of the United States since 1914 and of Germany prior to that date. They dwell on the aggressiveness of the German Empire, and say that its

efforts to dominate the world's markets and to outbuild the English fleet are being duplicated by the United States.

A glance at the history of the industrial revolution in Germany shows superficial similarities. But at least two important differences between the development of Germany and of the United States at once strike the eye. There is not now in the United States anything to compare to the state aid which made Germany a formidable unit in the world. Furthermore, the United States completely lacks the spirit of military aggressiveness that made Germany a threat to world peace. America is rich—far richer than Germany was before the World War. Individual Americans are arrogant and boastful, as were the Germans. But the nation at heart is pacific rather than bellicose, hesitant and fumbling in the use of its great strength rather than determined and striving towards the fixed goal of world dominion. This does not mean that the United States may not soon be the most powerful nation in history. But this will be the result of circumstance,

not design, of the combination of stupendous natural resources and a healthy, vigorous population, rather than because of a sinister plot to make the rest of the world tributary to America.

IV

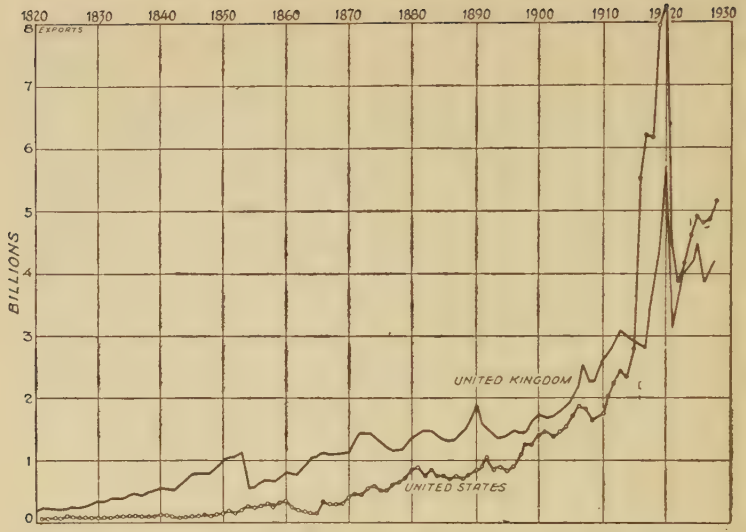
BUSINESS AS USUAL?

THE expansion of America's foreign trade to equal Britain's is the outstanding commercial event of the 20th Century. In 1900 the foreign commerce of the United States was valued at $2,244,000,000. In 1928 it was $9,220,000,000. Great Britain's overseas commerce—including trade with the Empire—increased from $4,271,000,000 to $9,972,000,000 in this same period. The growth of America's commerce was thus about twice as rapid as England's.

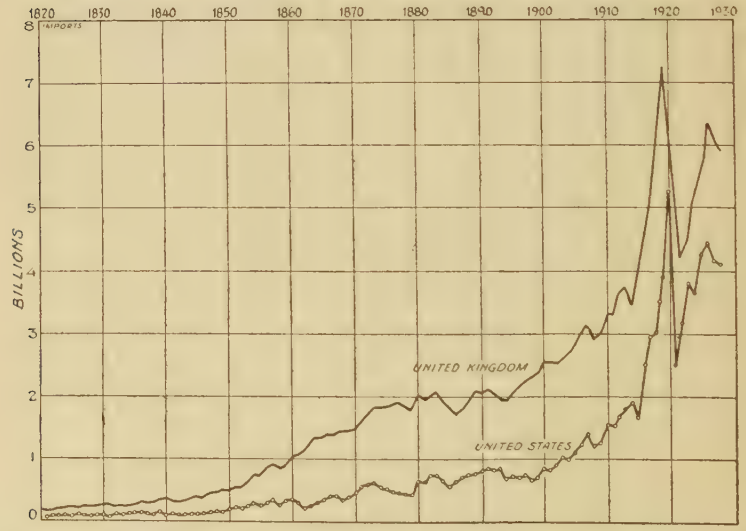
No wonder there has been talk of an "American peril." The transformation of the United States from an unimportant agricultural nation into an all-powerful industrial competitor has been disconcerting not alone for its speed but for its scale. A century ago the United States was still economically a dependency of Europe. She furnished a large share of Europe's raw materials and foodstuffs. In fact, in 1821 four-fifths of America's exports consisted of

these two general classes of goods, nearly all of which went to Europe. At the same time the United States obtained from Europe most of her manufactured articles, and so formed one of the best markets for Europe's industrial exporters. Two-thirds of America's imports in 1821 were manufactured goods. Today Europe furnishes less than a third of America's imports and takes less than half her exports.

The growth of population and the insistent demand for products at home was largely responsible for the change in the United States. Local consumption of foodstuffs necessarily increased as the population grew, and the development of industries under the protective tariff made an ever-growing demand for raw materials of all sorts. Development was irregular owing to the economic fluctuations that inhere in the conquest of a continent within the brief span of two generations, but it resulted in the creation of a vast industrial machine, able not only to supply most of America's home needs but to provide a substantial exportable surplus. Production received a special impetus when the World War cut



Exports of the United Kingdom and the United States (in billions of dollars) 1820-1928



Imports of the United Kingdom and the United States (in billions of dollars) 1820-1928

off many European sources of supply. By 1928 raw materials and foodstuffs formed only two-fifths of America's exports, instead of the four-fifths which they furnished a century ago. The imports of manufactured goods amounted to only one-third of America's total imports instead of two-thirds as in 1820. In other words America's economic relations to the world have been reversed. She now finds herself competing not only for the sale of manufactured goods, but also for the purchase of raw materials which Europe, as well as the United States, requires.

This change is more significant for Europe than for America, as Europe has lost her relative position in American trade. Coincidentally, America's trade with Canada, South America and the Far East has increased. Not only is the United States seeking new markets for her products in those regions, but as her industrialization continues, she becomes more dependent on them for the raw materials which she cannot produce within her own territory. Nearly half of her imports today are tropical products which she lacks at home.

The following table shows the percentages of America's trade with the different geographic regions in 1928: [1]

	Exports	*Imports*
Europe	47.9	30.5
Asia and Oceania	16.2	29.9
Latin America	17.1	25.2
Canada	16.4	12.2
Others	2.4	2.2

The imports from the Western Hemisphere are, of course, mostly raw materials and foodstuffs. From Asia and Oceania as well come mostly unfinished goods, such as raw silk, rubber and tin. Curiously enough not only has the share of Europe's exports of manufactured goods to the United States increased but also the share of America's exports of manufactures to Europe. Neither the American tariff nor the various restrictions placed by Europeans on American goods have succeeded in preventing a large exchange of manufactured articles.

Figures on a comparable basis are not available

for Britain. The following table shows, however, the proportion of British trade with various regions in 1926: [2]

	Exports	*Imports*
Empire	46.1	30.1
Europe	22.9	33.8
United States	7.4	16.4
Latin America	8.5	9.3
Others	15.1	10.4

The most significant fact is that the Empire takes less than a half of what England sells, and furnishes less than a third of what she buys. True, the shares are greater now by about a tenth of the total volume of trade than they were twenty years ago. This means that the Empire has come to play a more important part in the economic system of England than it did at the beginning of the century. But it is still far from being capable of furnishing the United Kingdom with the needed raw materials and taking her manufactured goods in exchange to such an extent as to make possible the sort of imperial

entity which certain English leaders wish to see created.

As the share of the trade with the Empire has increased commerce with Europe has fallen off. This decline about equals the Empire's gain.[3] America's share of Britain's trade remained about constant until 1923, at which time the quantity of shipments from the United States began to decline.[4] This is partly due to the steady reduction in England's imports of cotton from the United States. In 1913 Great Britain obtained three-quarters of her raw cotton from the southern states. By 1928 only 57.5% of England's cotton imports came from the United States. During this same period the increase of cotton imported from the Empire was marked.[5]

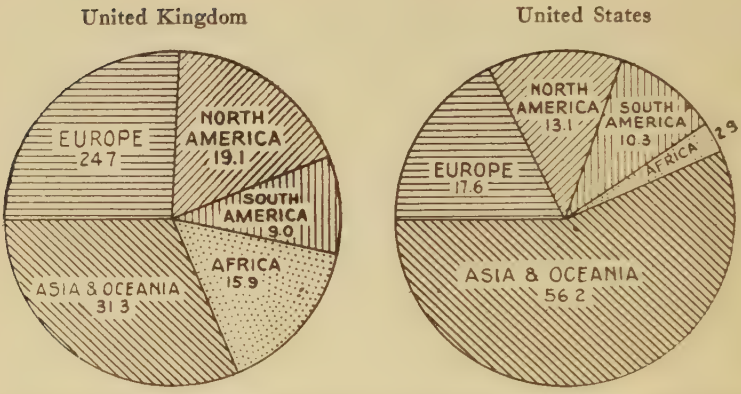
In contrast with America's transformation from an importer of manufactured articles and an exporter of raw materials into an importer of raw materials and exporter of manufactured goods England's trade has changed but little. Now, as at the beginning of the century, about half her imports are foodstuffs,[6] nearly a third are raw materials or "mostly unmanufactured goods," and a quarter are

manufactured goods. Of her exports four-fifths are manufactured goods.

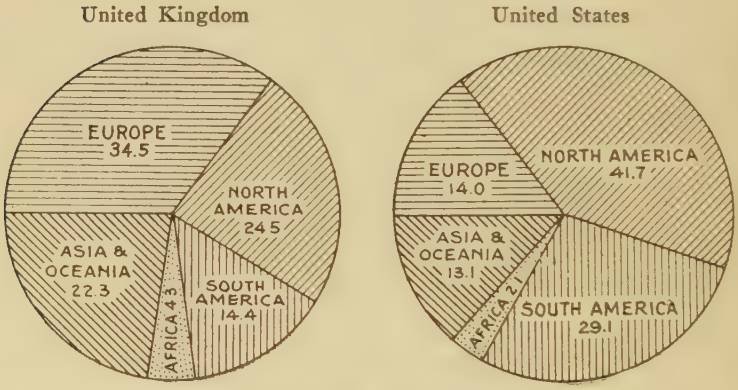
Exact comparisons between Great Britain and the United States are impossible owing to lack of comparable statistics, but it may be said that Great Britain imports about twice as much food as the United States [7] and exports half again as large a volume of manufactured goods.[8] The United States, on the other hand, imports as much raw materials (depending on the statistical classification [9]) as does the United Kingdom, or more.

These facts have a direct bearing on the naval problem as the defence of lines of communications is one of the chief functions of navies, and the lines of communications are determined largely by the sources of supply of the foodstuffs and raw materials which the nations lack. For this reason it is especially pertinent to ascertain what proportion of the imports of foodstuffs and raw materials into Great Britain and the United States come from various parts of the world. This is shown in the accompanying diagrams.

The figures in these diagrams show that about



Sources of Raw Materials Imported into the United Kingdom and the United States, 1927



Sources of Foodstuffs Imported into the United Kingdom and the United States, 1927

a third of the value of England's food imports comes from Europe, about a quarter from North America, a little less than a quarter from Asia and Oceania, and about one-sixth from Latin America. This last group contains a number of the leading bulk foods in large volume. Four-fifths of the frozen beef, a third of the mutton and a quarter of the wheat bought by England come from Latin America. The United States and Canada each furnish about a third of Britain's wheat. Much of her sugar and coffee come from the Western Hemisphere.[10]

The United States, on the other hand, obtains even more of her food imports from the Western Hemisphere than does England, Latin America and Canada furnishing about three-quarters of the foodstuffs which the United States buys abroad.[11]

Nearly half [12] of America's imported raw materials came from Europe in 1913 and about a quarter [13] from Asia and Oceania. In 1927 these figures were just about reversed.[14] This was, of course, partly due to the fact that tropical and Oriental goods which were formerly shipped via Europe are

now imported directly from the countries which produce them. While Canada's share of America's purchases of raw material has fallen slightly since 1913 that from South America remains about the same.[15]

England during the same period slightly increased her imports of raw materials from Asia and Oceania[16] and decreased those from North America,[17] with the result that in 1927 about a quarter of her raw materials came from Europe, a little less than a third from Asia and Oceania, less than a fifth from North America, and only 9% from South America.[18]

The expansion of America's trade with Latin America and the Far East has often been denounced as a "menace" to Europe's prosperity. Abroad and in the United States few people who have upheld or countered this charge have informed themselves fully on this subject. The facts, in brief, are as follows:

Prior to the war Great Britain led the United States in supplying all the nations of South America except Peru, Ecuador and Venezuela. In 1927 the

United States furnished a larger share than Britain of the foreign purchases of all of the countries of South and Central America.[19] In South America proper, the United Kingdom during the years 1911-13 furnished an average of 28.3% of the total imports whereas the United States furnished only 14.4%. By 1927 Britain's share had dropped to 19.7% and that of the United States had jumped to 30.8%.[19]

In the Far East we see a somewhat similar phenomenon. In 1913 Great Britain (including Hongkong) furnished 36.9% of China's imports whereas America's share was only 6%. By 1927 Britain's share, including Hongkong, had fallen to 28% and America's had risen to 16.2%. In Japan it is the same story. Great Britain and the United States in 1913 each furnished 16.8% of her imports. In 1926 Great Britain's share was only 7.2% whereas America's had risen to 28.6%.

It is still popularly held that the advantages of the United States in Latin America were due solely to the war and have not been maintained since. There is, of course, much truth in the general state-

ment that the United States replaced Germany and the Allies as a supplier of many lines of goods in Latin America after 1914, but the figures show that in actual volume as well as in proportion America's share has continued to grow since the war. That this is not unconnected with the rapidly increasing American investments in Latin America, which now equal those of Britain, will be made more clear in the next chapter. Among the other reasons for the growing commerce should be mentioned the increase in shipping and cable communications with Latin America as well as the advantages which have come from the opening of the Panama Canal. The bonds of trade between the two parts of the Western Hemisphere are being drawn steadily closer.

Not only in Latin America have the United States merchants been developing their trade, but also in the various parts of the British Empire. While it is true, as pointed out on page 67, that the Empire today takes a somewhat larger share of England's trade than before the war, the figures of exports and imports of the Dominions and India show that England is losing her lead as their principal purveyor

whereas the share of imports into these commonwealths from the United States is steadily increasing. The actual percentages of imports into various parts of the Empire furnished by the United States and the United Kingdom follow: [20]

	U. S.	*U. K.*	*Gain*	*Loss*
Australia				
1913	13.7	51.8		
1926	24.6	43.4	U. S... 10.9	U. K... 8.4
Canada				
1913	64.0	21.3		
1928	64.9	16.8	U. S... 0.9	U. K... 4.5
New Zealand				
1913	9.5	59.7		
1927	18.0	47.9	U. S... 8.5	U. K... 11.8
Union of South Africa				
1913	8.8	50.1		
1927	15.3	42.8	U. S... 6.5	U. K... 7.9
India				
1913	2.6	64.2		
1927	8.9	47.8	U. S... 6.3	U. K... 16.4

It would seem at first glance that America's inroads in the trade of Latin America and the Empire

must be at the expense of the United Kingdom. But the United States exports to these regions those special American products designed for new countries—automobiles, tractors, farm implements, etc. which are better and cheaper made in the United States than in the United Kingdom. In only one field—textiles—has there been direct competition. Even this has been rendered less acute by the fact that America's exports of textiles to Latin America have been of different qualities and grades than those of Britain. Doubtless if one or other were out of the markets, the remaining merchant would profit. But there is no "cut-throat" competition such as is popularly thought to exist.

Unfortunately, talk of a "trade war" has been stimulated in South America by a persistent campaign in which Europeans of various nationalities have gladly joined, having as its purpose to discredit America's goods and to injure her trade. This has frequently created bitterness without curtailing America's trade, and is indicative of the type of opposition which American commerce has to face abroad.

No summary of English and American trade is complete without reference to tariffs. Contrary to the general belief only a little more than a third of all the imports into the United States are subject to tariff duties.[21] Owing to the infinite complexity of American tariff laws it is impossible to devise an index number that represents the rate of duties imposed. They vary from a few cents or per cents to several times the total value of the imported article. In general, the American tariff levels are among the highest.

A fraction more than half of England's exports to the United States in 1927 paid customs duties. In 1924 British authorities estimated[22] that British goods paid an average ad valorem tariff of 32% in the United States, compared with 41% in Brazil, 37¼% in Spain, 20½% in the Argentine, 15¾% in Italy and 13¼% in Canada. It is interesting to note that this same authority[23] remarked as of 1924 that the American tariff increases of 1922 had not reduced the volume of the quality and fashion goods shipped from England to the United States but threatened to make competition with American

goods impossible in staple lines in which quantity and low prices are important factors.

Unfortunately no definite basis of comparison exists by which to measure the relative tariffs of the United States and other nations. A memorandum published by the League of Nations in 1927 [24] endeavoured to arrive at a system of comparison, but admitted that the results were so inadequate as to be unsatisfactory. It may be judged, however, from the figures above given, and from the League pamphlet, that next to Spain and possibly Brazil, the United States has the highest tariff, and that the Argentine, Poland, Australia, Canada and France likewise impose heavy duties, especially on manufactured articles.

Great Britain is still the foremost exponent of free trade. In order not to violate this principle Great Britain does not impose tariff duties, but instead has passed a number of acts taxing goods of foreign origin which compete with home industries. There are three general categories, known as the McKenna duties, voted during the war, the Key Industries duties, voted in 1921, and the Safeguarding

of Industries duties, voted since 1924. The last named expire between 1930 and 1933 unless renewed. The Key Industries duties run until 1936. There is a movement to repeal or modify all of these duties earlier.

As in the case of the United States it is difficult to offer any average rate, but it may be said that those on an ad valorem basis average about 33%.[25] It is pertinent to note that only about 15% of the total imports into the United Kingdom are dutiable, compared to 37% of America's imports.[26]

Inasmuch as these duties apply to automobiles they affect American exports to the United Kingdom. But it is clear that the taxes thus placed on America's exports are not as voluminous as those placed by the United States on English goods, even though the American articles so taxed may be as badly handicapped in England as are English lines in America.

The British Dominions and Colonies do not adhere to the mother country's principle of free trade. On the contrary, most of them are high protectionists in practice. The Balfour Committee on Industry

and Trade [27] estimated that the average ad valorem duties imposed on foreign goods by the Dominions in 1924 were 21.5% for Australia, 18.3% to 21.5% for Canada, 20.5% for New Zealand and 11.8% for South Africa. In other words, these nations are anxious to protect their own industries from foreign competition.

In the Empire as a whole there are numerous preferences extended to English and to Empire goods. The same committee estimated that the Dominions above mentioned gave preferential rates to British goods amounting to from 2.8% in the case of South Africa to 12% in the case of Australia and New Zealand. The British duties for the most part offer preferential rates (about a third off) for taxed imports coming from Empire sources. Most of the preferences of the Dominions and Colonies apply also to those of other parts of the Empire. It is notable that India grants no preferential rates of any sort.

England's resentment against the United States in general and her tariff in particular has stimulated discussion of an imperial tariff to protect free trade

within the Empire. To Americans brought up in the tradition of successful protection such a policy would seem natural and wise. But the question is far from simple, whether in the light of English or Imperial interests. Two distinct schools of thought exist in England alone; one, heir to the free trade doctrines of the 19th Century, the other believing in protection, at least against imports of foreign goods that compete with those made in England. Various intervening shades of opinion, of course, exist. But in the Dominions and India enthusiasm for free trade is largely academic. It is true that preferences are granted to goods of English or Empire origin as already explained. But enough opposition to these exists to have checked effectively so far the movement for free trade within the Empire.

In view of the world-wide trend towards protection it would not be surprising to see Great Britain increase her tariffs even if she cannot perfect the machinery to make these apply to the entire Empire at the same time that the component parts remove all intra-Imperial barriers. Such a policy might in

time work hardships on American industry comparable to those now imposed by the tariff duties in Europe.

There are those who say that America's foreign trade is not likely to continue to grow. They point to the fact that its increase has not been steady and that American business men have looked on foreign markets as occasional conveniences rather than as indispensable necessities. Ten years ago this criticism might have seemed plausible. But the evidence is overwhelming that whoever accepts it today is doomed to disillusionment. America's manufacturers are scouring the world for markets. American bankers are eager to help finance American foreign trade. The Department of Commerce has, ever since 1921, carried on an active campaign to help American exporters and to educate American manufacturers to possibilities of foreign trade. Most important of all, America's ever-increasing production is outstripping the growth of the home markets. More trade is therefore indispensable.

America's efforts were at first experimental. But

American exporters have learned by their mistakes. No longer are they guilty of the common errors of inexperience—sending salesmen abroad who have never been outside the United States and who know nothing of foreign countries and customs; writing letters and catalogues in English instead of in the language of the importing country; ignoring the preferences of the people as to types of goods, methods of packing, etc. The decade of the war saw so many of these blunders that numerous Americans feared their fellow-countrymen would never learn. But in this instance the adaptability which has made the Americans ever ready to try something new has served them well.

Many manufacturers in the United States are still diffident about foreign trade ventures. But they are far from uninterested, as the Department of Commerce, which receives daily more than a thousand inquiries about trade opportunities abroad, will testify. They are seeking markets not only with a view to disposing of a surplus on hand but also to finding larger permanent openings for future output. They realize that foreign nations may furnish a profitable

permanent adjunct to the markets which they developed in the United States.

Comparison of the rate of growth of the domestic and foreign commerce of the United States and Great Britain for the post-war decade may be somewhat misleading owing to the fact that the period has not been normal for England. In addition to the appalling losses of the World War, which were much greater in England than in the United States, production in the British Isles has languished, and, as already indicated, industrial management has been over-conservative, and labour and capital have fought each other with blind disregard of the lessons of the newer economics. In the United States, on the other hand, industries have been developing at an astonishing rate. Plants have been renovated, mechanical contrivances to increase production have been installed throughout, management has been perfected, labour and capital have grasped the relation between high wages, increased production and high standards of living.

The relative share of the world's trade taken by the two nations will, in the final analysis, be deter-

mined by production. It has been estimated [28] that Great Britain's exports constitute a third of her exportable output, whereas America's proportion is only about a tenth. This means, of course, that changes in England's productive capacity will be more widely felt in England's trade and, conversely that her foreign trade is of greater influence on her productive capacity than in the case of the United States. But it also means that while the ratio of America's exports to her total production has remained more or less constant, the total volume of her production—and so of her trade—has increased about fivefold in the last thirty years, and is growing steadily month by month. Already America's exports exceed those of England—including shipments to the Empire—by about $1,000,000,000. Inasmuch as increasing exports imply increasing dependence on foreign supplies of raw materials, America's imports may be expected to grow as fast as her exports. If, therefore, the present trends continue, we may soon see the United States take the place of Great Britain as the leading commercial power of the world.

V

DOLLARS VS. POUNDS

NEW YORK has not yet displaced London as the financial centre of the world. The amount of capital available for investments is greater in the United States than in England and borrowers and promoters turn first to the New York market in hope of easy funds. In spite of this, however, Great Britain at the beginning of 1929 had private long-term foreign investments (including those within the Empire) totalling nearly $20,000,000,000, whereas America's foreign investments were only about $13,500,000,000.[1] Furthermore, London continues to be the great centre of commercial banking. The practical experience of a century in financing the world and its trade has not yet been rendered obsolete by American competition.

But indications are many that the supremacy of London has already been so impaired that the bankers of that city will not again hold the relative

position which was theirs before the war. If the present trend continues, America's total foreign investments should soon exceed Britain's. This in itself would not mean the transfer of the world's financial centre to New York, but it would presage an ever-growing power on the part of American finance, with a corresponding decline in the relative influence of London.

A glance at the history of America's transformation from a debtor to a creditor nation will bring out more clearly the significance of this change. From the time of the Revolution, the United States was a borrower in Europe. Not only did the Federal Government and some States float loans there, but industries, and especially the railroads, obtained a larger part of their capital abroad—mostly in England and Holland. It was estimated that by 1880 American securities held by Europeans totalled $2,000,000,000 of which three-quarters were in railroad stocks and bonds.[2] As late as 1895 more than half the stock of the Pennsylvania, the Illinois Central, and several other important American railways was owned abroad.[3] By 1914 the total of American

securities held abroad was estimated by the Controller of the United States Treasury to be from four to five billion dollars.[4]

But even before the turn of the century Americans began to invest abroad. Their total foreign holdings in 1900 were about $500,000,000.[5] By 1914 these had increased to about $2,500,000,000.[6] The war brought about two complementary transactions. Europeans sold their American securities, and Americans advanced large credits to the Allies (exclusive of the war debts). The amount of American securities repurchased from abroad during the war is said to be from two to three billion dollars [7] and the sums advanced to European governments and industries (exclusive of war debts) during the period 1914-19 amounted to about $3,250,000,000.[8] By January 1, 1929, the total of private American investments abroad was about $13,500,000,000, and short-term foreign loans and deposits amounted to nearly $1,500,000,000.

These statistics, translated into human terms, mean that prior to 1900 the savings of the American people were, for the most part, plowed back into

the enlargement of American industries. As the demands for capital to develop the country were greater than the supply within the United States, the savings of Europeans were drawn upon, usually to the mutual profit of Americans and foreigners. But the outbreak of the war forced the diversion of European capital for war purposes, and at the same time greatly stimulated American production. When peace came it fell to the lot of the Americans, who had not sustained the appalling losses in men and property of the European nations, to place their capital at the disposal of Europe for reconstruction. At the same time America's expanding trade invited investments in other foreign lands as had happened in the case of England after the Napoleonic wars.

Owing largely to the results of the war a contrary tendency was also at work. Europeans, fearful of losing their savings as a result of depreciating currencies and unstable conditions at home, bought American securities, confident that these were safer, under the conditions, than their own. As time went on and it became apparent that the industrial boom

in the United States was likely to continue for a number of years, much foreign money was brought to America for speculative purposes. According to Dr. Julius Klein, Assistant Secretary of Commerce,[9] American securities held by foreigners in 1929 amounted to more than $4,000,000,000 and foreign short-term funds in America were about $3,000,000,000.[10] In other words, Europeans were well

NEW FOREIGN ISSUES OFFERED IN NEW YORK AND LONDON, 1920-28

(In millions of dollars.)

Year	*U. S.*	*U. K.*
1920	485.2	192.1
1921	631.	548.2
1922	682.3	632.6
1923	413.7	668.1
1924	928.5	606.1
1925	1,085.4	375.2
1926	1,134.7	493.8
1927	1,375.7	720.6
1928	1,250.9	512.6
Total	7,987.4	4,749.3

TOTAL FOREIGN INVESTMENTS OF THE UNITED KINGDOM AND THE UNITED STATES AT STATED PERIODS, 1825-1929

(In millions of dollars.)

Year	*U. K.*	*U. S.*
1825	500	
1860	3,650	
1880	6,300	
1890	9,750	
1900	....	500
1909	14,000	2,000
1913	19,500	2,500
1920	16,000	5,800
1929	20,000	13,500

aware of the investment opportunities in American securities and did not hesitate to place their savings in them.

The rapid increase of America's foreign holdings since the war is chiefly interesting when compared with England's record. The table opposite [11] shows the amounts of the estimated net nominal capital of new foreign issues offered in New York and

London between 1920 and 1928. The English figures, it should be noted, include English investments in the Empire.

A better idea of the relative rate of growth of American and foreign investments is obtained from the table on page 91 showing the estimated value of the total foreign investments of the United States and the United Kingdom at various periods during the last hundred years.[12]

From these two tables a number of facts are apparent. First, the largest volume of Great Britain's foreign investments was placed in the quarter century preceding the World War. Second, America's purchases of foreign securities increased in the nine post-war years about as much as England's did in the eighteen years preceding the World War—in other words, about twice as fast. Third, England's new foreign investments during the nine post-war years were less than three-quarters the volume of America's foreign investments, despite the fact that the British had the advantage of a much larger sum of interest on their foreign holdings to reinvest abroad. Even making allowances for differences in

the purchasing power of money now and before the war, it is obvious that the rate of increase of America's foreign investments since the war has exceeded that of Britain's investments in the days of her greatest expansion.

The history of the growth of British overseas investments throws some interesting lights on the possible development of the United States as a market for foreign securities. Great Britain after the Napoleonic wars, like the United States after the World War, was deluged with demands for credit by impoverished governments. English bankers responded freely—finding, apparently, that investors were willing to rely on the pledge of foreign governments. Not only Europe but Latin America, where the newly independent republics were just launching on their careers of borrowing, received goodly advances from English bankers. But by 1827 Spain, Portugal, Greece and all the South American countries except Brazil were in default on their interest payments and for the next fifty years the early issues were "the football of the stock exchanges," to use a phrase of the historian, Jenks.[13] At the same

time the first ventures in Latin American mining companies proved worthless, involving large losses for British investors.

These early disasters were followed by a concentration on the financing of railroads and other productive enterprises in Europe and in the two Americas. But, strangely enough, extensive investments in the Empire did not occur until the last third of the century. India was the first field, followed by Canada, and then by the other Dominions. Most of these investments were more remunerative than the early foreign ventures.

An idea of the speculative nature of British overseas investments as a whole may be gleaned from the fact that in 1890 the Chairman of the Council of the Foreign Bondholders Protective Association in England announced that his organization during the previous eighteen years had managed to arrange settlement on defaults totalling the staggering sum of nearly $3,000,000,000 of principal and $500,000,000 of interest.[14] If American bankers offering foreign securities do not show better judgment than their British predecessors American investors may

find themselves, like the English, with foreign holdings of doubtful value on their hands.

Incidentally, among the defaults were the bonds of several of the States of the United States, north as well as south. The capital amount still outstanding of the defaulted bonds of eight southern States is $60,000,000. Contrary to general belief these bonds were not loans by foreigners to help the South during the Civil War. Some go back as far as 1831, and most were floated during the reconstruction period.[15] In behalf of the Americans the most that can be said is that the conditions under which the bonds were issued made it plain that the risks were great. But whatever the pretexts advanced in defence of repudiation, these State debts are a blot on the good name of the United States and the failure to make a settlement is as unwise politically as it is morally indefensible.

The early partiality of British capital for government securities is interesting because it parallels the tendency in post-war America. Although no satisfactory figures are available, the studies of Jenks and others show that in the period 1815-45 an over-

whelming proportion of English foreign investments were in government bonds. In 1881 the share was nearly 75%.[16] Between 1876 and 1914 about half the new foreign issues floated in London were government securities. Recent English estimates place the proportion of government securities today as low as from 18% to 25%.[17] This compares with the estimate of the Department of Commerce[18] that only 40% of America's foreign holdings are in government bonds. This figure, like the British estimate, seems small. Of the total foreign issues publicly offered in the United States between 1914 and 1928, 60% were in government securities.[19]

A number of observations are to the point: First, the necessity for governmental financial aid in national recuperation was greater during the years before 1924 than since. Second, although a part of this financing has been apparently "non-productive"—and some of it obviously so—much of it has helped to speed up the economic recovery of the European nations. This is particularly true of the loans and credits for the stabilization of currency, which checked deflation and helped restore normal condi-

tions—a function in the past usually performed by English banks. It has been, in fact, one of the most useful of America's contributions to financial rehabilitation. Third, although American investors, strangers in foreign fields, at first preferred government to corporate investments, the trend has been steadily towards an increase in industrial rather than in governmental securities. This is doubly healthy. It shows that the American public is learning that productive foreign investments are valuable, and it suggests that American investors may not be so impressed in the future by mere government guarantees—regardless of the soundness of the government. It is not surprising that Englishmen, knowing that a large volume of government securities floated earlier in London proved worthless, cannot understand the enthusiasm of Americans to buy the bonds of municipalities and states of Eastern Europe which English bankers refused to touch—albeit some of the London brokers since the war participated in Balkan loans which may go the way of their earlier predecessors. So far, however, the American investors have not been badly "burned."

Unfortunately, to offset the sound trend towards corporate securities in the total of America's foreign investments, there has been a new increase of loans to Latin American governments in the last few years—loans which, if the purchasers were more familiar with English and American advances in the past, they might have been less inclined to support.

Fully as interesting as the rate of growth and as the type of foreign securities is the geographical distribution of the foreign investments of the United Kingdom and the United States.

The following table shows the percentage in each principal region before the war: [20]

GEOGRAPHICAL DISTRIBUTION OF FOREIGN LOANS, 1913

U. K.		*U. S.*	
Europe	4.7	Europe	14.0
Empire	50.0	Canada	25.5
Latin America	19.9	Latin America	53.5
United States	17.7	United States poss.	3.0
Other	7.7	Other	4.0

No complete analysis of the change in the regional distribution of British overseas investments between 1914 and 1928 is available. But it is estimated[21] that 63% is now in the Empire, and about 22%[22] in Latin America. Certainly the proportion of British investments in the United States has declined.

The change in geographical distribution of American investments since 1914 is striking. Europe, which before the war accounted for 14%, now has about 28% of America's long-term foreign investments; Latin America's share has declined from 53% to 35%; Canada's proportion has fallen off from 25.5 to 22%, the Far East has increased slightly and the investments in the United States possessions have declined in relative importance. These changes, it should be noted, are in percentage alone. In volume the increases have, throughout, been enormous.

Canada has absorbed a greater amount of America's total foreign investments than any other country. The latest estimates[23] place America's holdings in Canada at $3,286,000,000, compared

to England's $2,209,000,000. These figures represent about 22% of America's total foreign investments, but only 11% of England's overseas holdings. The surprising thing is that England's share is so large, given the countless ties which unite the fortunes of Canada and the United States.

Germany comes next with from $1,500,000,000 to $2,250,000,000 of her securities held by Americans. As might be expected, Cuba follows in importance as a field of American investments. It accounts for about $1,400,000,000, most of which is in sugar. In the rest of Latin America the volume of American investments has grown amazingly. Including Cuba, these are estimated today at about $5,200,000,000—about equal to Great Britain's investments in that region. Mexico comes next to Cuba with $1,288,000,000. followed by the Argentine and Chile with about $450,000,000 each and Brazil with $388,000,000. In only two countries—the Argentine and Brazil—do English investments exceed those of the United States. In these two instances the excesses are so large that they compensate for America's lead in other countries in the

southern hemisphere. Britain's investments in the Argentine are about $2,000,000,000 and in Brazil about $1,500,000,000.[24]

The rate of growth is even more startling. British investments in Latin America have increased about 50%—from $3,500,000,000 in 1913 to $5,200,000,000 in 1928,[25]—whereas American investments in this same region have quadrupled—from $1,300,000,000 in 1912 to $5,200,000,000 in 1928. In South America alone the increase was just under 1000% since 1912.[26] There is no indication that Americans are turning away from Latin America for other fields. Rather may we expect to see a steady growth in the volume of Latin American securities floated in New York and in the development by American industrial and operating concerns of extensive foreign subsidiaries. The expansion of the American Foreign Power Company and of the International Telephone and Telegraph in South America are cases in point.

But British capital in that region is well entrenched, and is not hesitant in safeguarding its interests. Paralleling the efforts of the British Gov-

ernment to exclude American oil interests from British territories and spheres of interest, and following shortly after the efforts of large English companies to curtail American stock ownership, came the decision [27] of the British stockholders of three of the leading Argentine railways that only British or Argentinians may be directors, and that not more than 20% of the stock of these railroads may be held by foreigners. It was expressly stated that the action was taken to dispel uneasiness caused by the acquisition of control of several British companies by foreigners (i.e. Americans).

That such a policy of restricting the free flow of capital should be sponsored by a people as experienced in world economic affairs as the British is as much a mystery as was their effort to sustain an artificially high price for rubber by the Stevenson restriction plan (see Chapter II). The contrast with the history of the financing of the United States and Canada is clear. As already pointed out, much of the development of the United States was originally financed by the English, and as late as 1895 the majority of the stock of a number of important Ameri-

can railways was held abroad. What would have been the effect had Americans sought to handicap this capital? Similarly, American money has flowed freely to Canada and been used to develop Canadian industries. Had the Canadians or British tried to stem this, they would have suffered more than the Americans.

It is as a symptom rather than as a precedent that this action is of world concern. Like the Stevenson restriction scheme, it contains within itself the seeds of its own destruction. But it suggests a frame of mind of British investors, bankers and economists that is far from happy.

There are those who say that American foreign investments have reached their peak and that Great Britain will rapidly regain her ascendency. While it is to be expected that British overseas investments will continue to increase steadily, if somewhat slowly, there is little evidence that American foreign financial interests will cease growing.

It is true, as pointed out by the National Industrial Conference Board in its recent study, "The International Financial Position of the United States,"

that the excessively rapid growth of the United States as a lender of money during the post-war years was due in part to abnormal conditions. The difficulty in obtaining funds elsewhere, the instability of the currency of the former great lending nations of Europe, the expanded credit facilities in the United States due to a number of factors, all contributed to make the money market in America more attractive than any other to foreign borrowers.

This situation cannot continue indefinitely. Furthermore, there will surely be temporary declines in the volume of new issues—just as occurred in the history of British overseas investments. Such a decline began in the last half of 1928, due to the rise in money rates in the New York market. It is likely to recur in times of tight money or of business depression.

But two factors indicate larger, rather than smaller investments abroad by Americans—the enormous and constantly growing surplus of capital in the United States, and the tendency to reinvest abroad the interest and dividends on their foreign holdings, as the British have so long found

it convenient to do. This in itself, apart from emergency demands for credit and from the growing interest in foreign investments per se on the part of American investors, would constitute an annual increase of foreign holdings of over $800,000,000 a year, which would normally grow on a compound interest basis.

Finally, the expansion of American trade is gradually showing Americans the commercial value of credits to foreign nations and the investment possibilities in the development of railroads and industries abroad. This is aided by the desire of foreigners to obtain American capital in the belief that it is freer from political and other contingencies than is European capital.

America has the particular disadvantage, in comparison with Great Britain, however, that the close association of shipping, insurance, financial and commercial interests that exists in London is lacking in New York. The machinery for world affairs is thoroughly organized in England. The practice of inducing foreign borrowers to purchase what they need from England instead of from other

countries means that, in addition to the profits to British bankers and investors, there are new orders for British manufactures, which mean more freight for British carriers, and, in turn, more insurance for British underwriters. Other things being equal, preference is always given to British interests, even in details.

Despite the great increase in commercial as distinguished from investment financing in the United States in recent years the United States is still far behind the United Kingdom in this field. Doubtless, encouraged by the expansion of America's foreign trade, the American bankers will make a special effort to give as good service in this type of banking as do the British—or better. But they lack the long established connections and the detailed experience of the British. This is a handicap which only time can remedy.

It required about seventy-five years of experimentation, accompanied by many and severe failures, for British bankers to develop a successful technique in foreign finance. That experience made it easier for them to profit from the opportunities

presented by England's growing exports to re-invest abroad the interest on their accumulated outstanding foreign loans and investments. As a result British financiers led the world during the period between 1880 and 1914.

American bankers, by contrast, like American exporters, have had relatively little experience abroad, although several houses have long had English and German connections. In their numbers are few men who possess an intimate knowledge of world conditions and of the particular problems of individual nations. Unless they learn more quickly than their English predecessors it will be years before American bankers are as well informed in international affairs as are the British.

VI

MERCHANT MARINERS

IN PEACE as in war, England lives by the sea. Cut off by blockade, the English would quickly starve and the Empire disintegrate. Ships, an English pamphleteer noted as long ago as 1681, "are our weapons, they are our ornaments, they are our strength, they are our pleasures, they are our defense, they are our profit. The subject by them is made rich; the Kingdom through them strong; the Prince in them is mighty. In a word: by them, in a manner, we live, the Kingdom is, the King reigneth." [1]

The successive waves of immigrants from the European mainland transferred their sea-going habits to Britain. From the early days the coast dwellers lived on and by the sea—and most of England is within short distance of the coast. First fish, then trade, then maritime supremacy—the sea-going custom of generations, crystallized into a tra-

dition, is as much of a factor in England today as in the days of Alfred.

By the time of Elizabeth the adventures of discovery and the lure of privateering had been added to the ordinary incentives of commerce. The glamour that shrouds the names of Drake, Gilbert, Raleigh and other great English mariners has caused the English-speaking world to overlook the fact that many of their activities were highly "irregular" when viewed in the light of modern international practices. Merchantmen were armed —for defence only, of course—but on occasion used their arms in such a manner as to bring from their Spanish enemies the charge of piracy. If there were squeamish members of the crews they doubtless salved their consciences with the thought that the Spaniards, whose treasure ships they unburdened in the Spanish Main, had come by their gold and silver in the sinful manner of robbing and oppressing the heathen.

But it is not our purpose to weigh the ethics of Elizabethan world. The outstanding fact is that these early Englishmen sought a fortune and

founded an empire. In the wake of exploration and freebooting followed the sea-borne seeds of settlement. Bit by bit the English by colonization or conquest built up the world-wide empire which is separated by the seven seas, united by the English merchant marine and secured by the British Navy.

It has been the good fortune of England that her great leaders have fully understood the relations between shipping, commerce, the Empire and world politics. Elizabeth sensed it. Cromwell was quick to repair the losses of shipping and naval and commercial power incurred by the cupidity and stupidity of the Stuarts. Already an English writer had called the attention of his countrymen to the fact that "it is not our swords but our sails that first spread the English name in Barbary, and thence into Turkey, Armenia, Muscovia, Arabia, Persia, India, China, and indeed over and about the world. It is the traffic of their merchants and the boundless desires of their nation to eternize the English honour and name that hath induced them to sail and seek into all the corners of the earth." [2]

In later years the last two Stuarts and the first

Georges (inlanders by instinct) were ready enough to fatten on England's commerce but not wise enough to support it vigorously. After the Napoleonic wars England was safely supreme. The Victorians knew the needs of the Empire, and were aware of the rôle played by the sea in holding it together. During the 19th Century their dominance of the seas was not effectively challenged, although the United States after the war of 1812, and again in the clipper ship era, made inroads into England's carrying trade and during the latter period had a merchant marine nearly as large as England's. Towards the end of the century continental ships captured part of England's sea traffic. But when Germany made her bid for world supremacy and built a big navy to defend her enlarged merchant marine England's shipping monopoly was at last seriously threatened.

The transformation from sail to steam and wood to iron, and the fact that England was able, thanks to the nearness of her coal and iron mines to the sea, to build and operate steamships more cheaply than other nations gave her a new impetus as a

world carrier. Her seaside coal supplies, as explained in Chapter II, furnished cargo for her steamers to carry throughout the world. They facilitated the establishment of bunkering stations in distant waters, where English ships could refuel more advantageously than other ships. Out of this, in turn, grew some of her naval bases, which helped her in war to guard lines of communication far from home.

The advantages of seaside coal and iron were, as already explained, reduced when the development of railroads and canals in Europe and the United States opened up inland supplies of these minerals. But by this time England's superiority in good ships was so great that she had little to fear from competitors. By keeping her freight rates low she obtained an increasing share of the carrying trade of nations which, like the United States, had lost interest in the sea. Gradually she accepted as an inherent right the position which had been won for her by the initiative of her shipbuilders and operators in wisely utilizing the opportunities which nature had placed in her hands.

The geographical incentives to develop the carrying trade had been early reinforced by governmental action. In 1651 the hard-headed Cromwell enlisted the aid of the government in the development of trade and shipping by the famous "Navigation Act." Although this embodied principles formerly endorsed by earlier governments, it renewed the growth of British shipping which was being driven off the seas by the Dutch. It provided, *inter alia*, "that no merchandise, either of Asia, Africa or America, including also our own plantations, should be imported into Britain in any but English built ships, and belonging to English or English plantation subjects, navigated also by an English commander and three-fourths of the sailors to be Englishmen; excepting, however, such merchandise as should be imported directly from the original place of their growth or manufacture in Europe solely." [3]

By a curious paradox the abolition of these restrictions two centuries later gave a new stimulus to English shipping by obliging shipbuilders and operators to modernize their methods in order to

meet the competition of foreign vessels which had previously been excluded from these trades.

Further government aid was made available when British shipping had accepted the improvements forced by this foreign competition. British writers are careful to explain that the mail contracts, the aids extended by the Admiralty, and the subsequent government loans for the construction of the *Mauretania* and the *Lusitania*, are not to be considered as government subventions. Terms are irrelevant. The fact remains that the British Government has continued to aid shipping. No student of English history will question the wisdom of this policy.

In contrast to the steady increase of the British mercantile marine two questions as to America naturally arise: 1. What caused the irregular growth and decline of the American merchant marine? and, 2. What are the advantages of a large merchant marine to a nation like the United States?

Speaking broadly, the rise of the American shipping industry after the Revolution may be attributed to three main causes: 1. The restrictions placed

on American shipping by the British, which engendered a spirit of retaliation and so made American dependence on and support of American ships all the greater; 2. The specific protection to American shipping furnished by acts of Congress discriminating in favour of American-borne commerce and taxing foreign shipping; and 3. The advantages and profits to be derived from the India and China trade, which lured the merchants of the seaports to make an active bid for world commerce. Thanks to the plentiful supply of good timber in New England shipbuilding in those days was easy and cheap. The wars in Europe enabled the Americans to enter trade routes which had previously been monopolized by others. American initiative and ingenuity made the most of these opportunities. The American flag was soon known and respected throughout the world.

Special skill in construction and operation of the early clipper ships gave American shippers further advantages. Coincidentally came the discovery of gold in California which overnight made that distant province of more importance to the Eastern

States than are parts of the Empire to the United Kingdom and so placed a premium on large and fast ships with which to carry the great mass of material —and of colonists—which California required. It is not misleading to assert that until the last spike of the Union Pacific Railroad was driven the west coast was as isolated as if it were a separate nation in distant waters.

Between 1860 and 1914 the American merchant marine steadily declined. By the end of the Civil War the yards building wooden ships on the Atlantic Coast had begun to be obsolete owing to the change from wood to iron, and Great Britain's lead in new, fast ships increased and gradually became overwhelming. All efforts of the seaboard to rouse interest in shipping were defeated by the land-minded inhabitants of the interior, whose interests were diverted to the winning of the West and to whom, in consequence, the successful development of iron steamships by England meant nothing. Convinced that peace was permanently established throughout the world, and seeing foreign nations vying with one another to carry America's com-

merce, they could not be persuaded of the disadvantages which they were sure to face in the event of a disruption of the flow of commerce. As the end of the century approached, indifference to the merchant marine increased. Ninety per cent of America's trade was carried in foreign ships.

When the Panama Canal was finished it became profitable once more to ship from coast to coast, with the result that an ocean-borne intercoastal trade grew up, protected by coastwise trading laws, to form about a third of the total canal traffic. This trade via Panama corresponds to England's inter-Imperial trade. As it is confined to American ships, it has naturally done much to stimulate American shipping.

But it remained for the World War to open the eyes of the Americans to the fact that ships are indispensable. They found that the goods of a foreign owner's countrymen naturally had preference over those of Americans; that in competitive fields they had to depend on the ships of their rivals; that freight rates could be so manipulated as to give advantages to foreigners at the expense of Americans

—in short, that a nation dependent on sea-borne commerce is at the mercy of those who control the ships.

For the sake of clarity it is well to consider the advantages of a merchant marine under three heads: 1. In normal peace conditions; 2. In the event that the nation is neutral while other maritime powers are fighting; and 3. In case of active participation as a belligerant.

The precise value of a merchant fleet in time of peace is still disputed. People who say that England needs a large number of merchant ships will insist that America can do without them. This argument limps when, in reply to the question, why England needs a merchant fleet, the answer is given that the volume of her ocean-borne commerce is so great. If the amount of ocean-borne commerce be the criterion, America should have an even larger merchant fleet than England, since her foreign commerce equals England's and her ocean-borne coastwise trade is as great as her foreign trade, giving her thus twice England's ocean-borne commerce to carry.

Another measure is the relation of water-borne commerce to the total commercial activities of a nation. In its analysis of the American merchant marine problem the National Industrial Conference Board [4] calls attention to the fact that three-quarters of the tonnage of America's exports represents raw materials, which are largely heavy and cheap goods, and which are so essential to foreign nations that they will always arrange to transport them cheaply and promptly.

Obviously, if this argument is sound the United States does not need a merchant marine to carry its exports of bulky raw materials. But when this principle is applied to England, it is clear that that country likewise has little need for a merchant marine, as upwards of 80 per cent of the tonnage of England's exports consists of coal.[5]

By way of further analysis, this report goes on to say that "the manufactured export articles for the protection of which American ships are needed are those which come into direct competition with similar articles manufactured in the leading maritime countries and which may be subject to dis-

criminatory treatment."[6] The tonnage of these goods, which comprise chiefly iron and steel manufactures, machinery, automobiles and textiles, is less than 14 per cent of the volume of America's total exports.[7] According to this reasoning, also, a comparatively small tonnage is required for the American merchant marine. As only 20 per cent of the tonnage of England's exports are manufactured articles it would seem that Great Britain, like the United States, likewise needs only a small tonnage of ships.

The lay mind finds it difficult to see why, if Great Britain enjoys advantages from being able to carry its imports of bulky raw materials in British ships, a similar advantage does not exist for the United States. The volume of indispensable British imports is undoubtedly greater than that of the United States, which has been figured to be less than 10 per cent of the volume of America's ocean-borne imports.[8] But the term "indispensable" implies wartime conditions. In peace the United States will continue to increase the already enormous volume of imports of raw materials. Were it not for the

high cost of building and operating American ships, which necessarily makes it more difficult for them to compete in carrying low-cost raw materials, there is no reason why Americans should not find it as advantageous to carry their bulky imports in their own ships as do the British.

Speaking generally, it may be accepted that a great overseas trading nation should have a merchant marine capable of carrying about half of its commerce. This is believed to be an adequate safeguard against attempts of foreign competitors to handicap it by discriminating freight rates or by otherwise manipulating shipping to favour the trade of the shipowning nation. It goes without saying, of course, that foreign shippers do not operate their vessels for altruistic purposes, but rather to make money. In the process they naturally take special pains to see that their own nationals derive all possible benefits from them. The Europeans cannot therefore be expected to display as great eagerness to carry to foreign ports American goods which will compete with those of their own nationals as they show in bidding for America's raw materials

which they sorely need. It follows that in developing new markets there is an unquestioned advantage to American exporters in being able to depend on regular steamship services of their own with fast boats to carry the high-cost articles.

The World War disclosed that even in times of peace it has been the practice of shipping nations to study the manifests of cargoes from foreign countries with a view to ascertaining trade secrets. A special report of a committee to the British Board of Trade after the War called attention to this practice on the part of German and Dutch shippers and explained that the information thus obtained "was made the basis of a canvass at both ends of the traffic, with the object of capturing it for Germany and Holland to the benefit both of the manufacturers and shipowners of the two countries, respectively." [9] Is it unreasonable to suppose that other nations, also, follow this practice?

It is difficult to divorce peace-time needs from those which may arise in case of war. The unhappy situation of the United States after August, 1914, is an old—but forgotten—story. At the outbreak of

hostilities all German ships immediately sought haven in neutral ports. Great Britain withdrew from commercial service upwards of 4,000,000 tons of vessels—more than the total of American ships, engaged in foreign trade today.[10] At the same time her need for supplies from overseas rapidly increased. As a result there was an acute shortage of freight space. Rates soared. Neutral as well as Allied commerce was dislocated. American exporters found even the goods which the Allies badly needed piled on the docks of New York waiting for ships. The later incursions of the German submarines on neutral as well as Allied shipping still further depleted the world's available tonnage. America was at the mercy of the warring nations for the transportation of her foreign commerce, which, prior to 1914, had been almost entirely carried in foreign bottoms.

The part played by the merchant marine of a nation which is itself at war will be more fully described in the next chapter. Here it is enough to summarize it by saying that a well-trained merchant service personnel furnishes reserves for the navy and that suitable merchant vessels are used as

auxiliary cruisers, as commerce raiders, as troop ships and as supply carriers. These activities are, however, in addition to the transport of trade, which is as important in war as in peace.

Comparison of the tonnage of the English and American merchant marines shows that despite the mushroom war growth of American shipping Great Britain is still far in the lead.[11] In 1928 the United Kingdom had 4521 ships of 1000 gross tons or more (aggregating 20,777,512 tons) in active service, practically all of it engaged in foreign trade, compared to America's 659 ships aggregating 3,974,663 gross tons in the foreign trade. Of these totals 1013 English ships were of 6000 tons or over, compared to only 248 American ships of similar tonnage. Great Britain has 4,606,107 tons of ships that can make 12 knots or more, compared to America's 514,121 tons. Two-thirds of America's ships now engaged in foreign trade were built during the war and so are ten or more years old. More than a third of England's ships have been built since the war.[12] Of ships less than 5 years old Great Britain has 14.1 per cent and the United States only 4.2 per

cent.[13] More than two-thirds of America's ships are oil-burners, whereas less than half of England's are so propelled. American ships in 1928 carried 38 per cent of the volume of American overseas trade whereas English ships carried 30 per cent of this same trade.

It is unnecessary to go into the details of the various types of cargoes carried by American and foreign ships on different routes. But it is not amiss to note that in those areas where American commerce and foreign investments are much greater than those of other foreign nations, i.e., Mexico, Central America and the northern parts of South America, American ships also carry most of America's trade. British ships, on the other hand, carried in 1928 two-thirds of America's trade with the United Kingdom, half the trade with continental Europe and the bulk of the trade with the Dominions and the rest of the Empire.

More than a third of American ships engaged in foreign trade are owned and operated by big industrial concerns like the oil, steel and fruit companies chiefly for the transportation of their own property.

American shipping interests, besides, own and operate under foreign flags upwards of 2,300,000 tons of ships. These are not classed as American vessels in official tabulations.

In addition to this the United States Shipping Board and private owners have laid-up ships amounting to about 3,000,000 gross tons. Furthermore, the total volume of ships engaged in coastwise trade that may be classed as ocean-going amounts to about 3,500,000 gross tons. This brings the combined tonnage of ocean-going merchant vessels of 1000 gross tons and over, active in foreign trade, in coastwise trade and inactive, to 10,319,223 gross tons. But the coastwise vessels cannot be spared for the foreign trade, and of the laid-up vessels about a quarter are past redemption. A little more than a third could be put into service at an average cost of $50,000 apiece (or a total of about $7,500,000) and the remainder at a much greater cost.[14] Even if all of these ships were put into the foreign trade the total of American shipping so engaged would still be only about half that of Britain.

The fact is that American shipping is handicapped in so many ways in competition with that of foreign nations that it survives only with difficulty. Owing to the high cost of building and operating it finds it almost impossible to enter the "tramp" or chartering trade, which such nations as Britain and Norway have found so profitable. The ships in the liner trade make such inadequate profits that it is difficult for their owners to replace them when they wear out. New tonnage costs from 60 to 100 per cent more built in American than in foreign yards. This means that the capital invested in an American ship is nearly twice that in an English ship and that the interest charges, depreciation and insurance to be covered out of earnings are twice as great. Furthermore, the cost of operation of foreign ships is roughly half that of American ships. As freight rates are determined by world conditions rather than by the charges which a given company must make in order to earn a profit, American ships are obviously at a disadvantage competing with ships on which the overhead and operating charges are only about half those on American vessels.

As if this were not enough, private shipowners in the United States have to meet not only the direct competition of the American government-owned vessels of the Shipping Board but also the competition of other private American operators who have bought laid-up vessels from the Shipping Board at such a low cost per ton that the capital investment and consequent carrying charge is small compared with that of other shipowners. This is because the Shipping Board has been operating with a deficit so long that the Government has found it advantageous to get rid of its ships at a loss.

As a result of these various complicated influences American shippers find it almost impossible to compete in foreign trade without extensive government aid. This is now promised by the Merchant Marine Act of 1928, which not only grants construction loans on a favourable basis but also modernizes the mail contract provisions and makes them more flexible. According to competent authorities this bill should make it possible for American shipowners to operate most liners on a parity with foreign ship-

owners. But numerous vessels with irregular sailings cannot profit from the mail contract provisions. To replace these ships in American yards or operate these with American crews will only be profitable if new legislation is passed to include them.

American ship operators are as one in insisting that so long as the Government remains in the shipping business there can be no sound and sure development of privately operated lines. Aside from the difficulties already mentioned, the fact that the government is in the shipping business is used against all American ships by unscrupulous agents abroad. They point to the wealth of the American Government and make the specious plea that it is trying to drive foreign shippers out of business. On occasions they have even gone further and sought to use this argument against American goods as well as ships, basing their claim on the charge that as the United States Government is out (supposedly) to "do" the poor unfortunate foreign trader, it behooves persons engaged in private business to stand together against this selfish, over-rich government

monopoly. As in so many cases where an argument meets with a ready emotional response its soundness is sometimes not tested.

In the end the forces of geography will doubtless play a determining part in the development of America's shipping. As has been pointed out by Mr. William Howard Gardiner in his study, "Insular America," the United States is, in effect, an island, fronting the Atlantic, the Pacific and the Caribbean. It stands in relation to the whole world as England does to the European continent. The breadth of the oceans gives it a measure of protection such as England enjoyed from the Channel until the days of fast cruisers and airplanes. From the point of view of world commerce its position is even more fortunate than England's, for it is centrally located with respect to Asia and South America as well as to Europe.

VII

"KEEPE THEN THE SEE"

FOR England as for America the problem of defence is primarily naval. To be sure, the attempted invasion of either would doubtless be largely repulsed from the air. But being insular nations, relying on the sea for protection and for commerce, both must necessarily count on their navies. England, as already pointed out, could be quickly starved by an effective blockade. The United States is now so dependent on overseas sources for essential raw materials that she cannot with impunity see her world-wide lines of communication threatened.

Americans in recent years have thought of England's naval policy so exclusively in the watertight compartment labelled "Anglo-American rivalry" that they have failed to understand that English statesmen have to consider not only relations with the United States but with the Continent. They forget that the British Isles are at the gateway of

Northern Europe and that the most important line of imperial communications passes through the sea-approach to Southern Europe—the Mediterranean.

England's proximity to powerful foreign nations thus introduces complications from which the United States is free. Although the danger that a continental power will again build a great navy to threaten British supremacy in her home waters as did Germany is apparently remote today, no British statesman of vision may assume that no such attempt will ever be made. It has happened five times within the last 350 years—Spain, Holland, France under the Bourbons, France under Napoleon, Germany. Who would be so rash as to say that a sixth attempt is "unthinkable"—especially in view of the fact that no Englishman dreamed in 1870 that within a generation a German fleet would be forcing Great Britain to pull in her defences from distant oceans to the nearby North Sea?

In order better to understand the true nature of the problem of defence of the United Kingdom and the United States it is necessary first to bear in mind

the functions of a navy in peace, neutrality and war.

The mere existence of an efficient fleet serves as a measure of national strength and prestige for a maritime nation in peace. No country is likely to threaten war against a stronger power which is known to be ready to defend itself. It is the weak or the over-patient nation which is subject to pressure by the threat of war. History is replete with illustrations of this unpalatable truth, but mankind continues to ignore it. It was China's impotence that made her a prey to the rapaciousness of foreign nations during the last quarter of the 19th Century. Had Germany thought that England was sufficiently powerful and united to be able to go to war in 1914 she would never have risked her enmity.

In the event of neutrality the rôle of a navy at once becomes more active. History shows that a neutral nation whose commerce is large finds a good navy of inestimable value. The reason for this is that the tendency of belligerents is to interfere with the rights of neutrals whenever it seems profitable to do so. Interference with these rights is in direct

proportion to the inability of the neutrals to retaliate. During the World War weak neutrals received scant respect from the contestants. Even while the United States was still a non-combatant both sides pushed her just as far as they dared without risking her active intervention. In the words of Lord Grey of Fallodon, the object of British diplomacy was "to secure the maximum of blockade that could be enforced without a rupture with the United States." [1] It was Germany's mistake to go too far. This was because she felt certain that the advantages would be greater than the damage which America could do to German interests before the Allies were defeated by the submarine campaign. Germany believed the dictum of General Ludendorff that the United States could not raise an army in time, that if she raised it she could not train it, and that if she trained it she could not transport it before the war had been won for Germany.

The outbreak of hostilities at once places on the navy of an insular nation like England or the United States the responsibility of controlling the

seas so as to keep the home lines of communications open, to cut those of the enemy and, if need be, to invade his territory. In theory the objective of the navy is to capture or completely immobilize the enemy's fleet. In practice, however, naval warfare is often confined to raiding the enemy's and protecting one's own commerce.

In the late war, for example, Great Britain, in order to take her full share of the war burdens, and to ward off starvation by blockade, had to prevent the German fleet from escaping from the North Sea. To do this, she mobilized her own fleet there. Only rarely did a German naval vessel slip by the British patrols until the development of submarine warfare. As a result German commerce was almost completely wiped off the seas and Germany from the beginning of the War was forced to find substitutes for materials which she could not obtain by land and did not possess in adequate volume. Had Germany been sufficiently sure of defeating the British navy to risk an encounter on an even larger scale than the Battle of Jutland she might not only have opened the seas to her commerce but would

probably have been able to turn the blockade against England and so have won the war.

It remained for the submarine to break through Britain's defence and to wreak havoc with England's lines of communications. How near the Germans came to victory through the use of the submarine the world as yet hardly realizes. Admiral Sims, in his book "The Victory at Sea," quotes a conversation which he had with Admiral Jellicoe when the submarine campaign was at its height in April, 1917. "It looks as though the Germans were winning the war," the American observed. "Yes," replied the Englishman, "they will win, unless we can stop these losses—and stop them soon." [2] The official British history of the sea-borne trade in the war [3] points out that the net deficit in shipping resulting from the excess of destruction by submarines over new construction and replacement amounted, during the period February 1, 1917 through April of that year, to nearly a million tons, and that the rate of wastage was 23 per cent. During the last two weeks in April it had risen to the rate of 50%. This meant that the chances of an

ocean steamer "leaving the United Kingdom on such a voyage and returning safely were only about 1 in 4." In other words, merchant vessels were being destroyed faster than the Allies could build them. The position of Great Britain with respect to essential food supplies, raw materials and reinforcements was thus desperate indeed when the United States entered the war.

The tide was turned not only by the addition of America's fleet and resources but by active American cooperation in the inauguration and execution of the convoy system. So great was its success that it is surprising that its significance has since been overlooked. Naval men, always conservative, still talk in terms of vessels to serve as individual patrols, apparently oblivious of the changes in operations which the modern convoys facilitate. If war should again break out involving extensive naval operations it is safe to expect the convoy system to be put into practice from the very beginning as the best shield against commerce raiders.

Had the convoy system failed in 1917 it is doubtful if England could have survived. Her end would

have been due directly to her inability to keep the sea lanes open for the ships carrying the supplies by which alone she could continue to fight and to live. Could there be a better illustration at once of the dependence of the United Kingdom on the sea, of the rôle played by the navy in her defence, of the essential functions of a merchant marine in war, and of the reason for England's repeated efforts to have the submarine banned?

Both Great Britain and the United States have put forward as a measure of their naval needs the necessity of defending their lines of communications. As shown in Chapter IV, each nation is dependent on overseas sources for essential supplies—Great Britain for her foodstuffs and the United States for certain indispensable raw materials. Great Britain has, in addition, to maintain contact with all parts of the Empire—a duty which, in fact, closely coincides with protection of the ordinary lines of communications. In both cases there are strategic centres far from home which must at all costs be guarded. Suez and Panama are the two outstanding examples. Suez makes possible the rapid

communications with India, Australia and East Africa. Panama facilitates the transit from the Atlantic to the Pacific.

Out of this grow problems of defending two areas adjacent to these key spots—the Mediterranean and the Caribbean. The importance of the former to Britain is not understood in the United States. Should the three European nations whose coasts are washed by that sea build fleets which in alliance could close the Mediterranean to English ships the integrity of the British Empire would be menaced. This is why Great Britain holds Gibraltar and Malta, and why the problem of Egypt affects European as well as Asiatic politics.

In the same way, if a hostile force were to dominate the Caribbean the United States could not hold Panama. Just as the defence of England's interests in the Mediterranean is facilitated by the bases at Gibraltar and Malta so the defence of the Caribbean is made easier by the American base at Guantanamo in Cuba and by the possession of Porto Rico and the Virgin Islands. Jamaica alone of the important strategic spots within the area remains in

alien hands. But Jamaica, in the event of war with England, would be readily controlled by the American fleet.

It goes without saying, of course, that the defence of the home waters, and especially of those focal points where lines of shipping converge to enter ports, is a matter of utmost moment.

An analysis of England's imports by volume rather than value shows, in so far as such figures may be obtained, that about a third of England's trade is with Europe across the English Channel and the North Sea; about a third passes through Gibraltar bound to or from Mediterranean or trans-Suez points; and the remainder crosses the North or South Atlantic. From this it is at once apparent that two-thirds of England's trade is carried through waters on which other European nations front. This involves England inextricably in the politics of Europe and, as already suggested, makes it impossible for English statesmen to ignore the rest of Europe when they discuss naval limitation with the United States.

With these proportions of trade in mind it is

pertinent to glance at a map of the world and to see how, at all points where English lines of shipping converge, with the exception of Cape Finisterre in France, the British have naval stations. Following the route to the East we find after Gibraltar, Malta, then Port Said, Aden and Colombo, and so to Singapore and Hongkong. In the Atlantic there are bases or coaling stations at Halifax and Bermuda, and on the African Coast as well as in the Falkland Islands off the Straits of Magellan.

These bases not only facilitate the defence of the trade routes which they flank but also explain why England is content with small cruisers of comparatively limited sailing range.

The United States lacks a chain of bases. Outside of the Caribbean area, which at present she is capable of defending, she is especially vulnerable. This is particularly true of the route to the Philippines. Fortunately, the volume, rather than value, of her imports from Latin America far outweighs all others, forming in fact 63 per cent of the cargo tonnage of imports into various American ports, nearly all of which passes through the Caribbean.[4] The

volume of imports from Europe is 17 per cent and from the Far East only 5 per cent. When it is realized that in addition to this the intercoastal trade of the United States passes through the Caribbean area it is obvious that the defence of this body of water is of vital importance to the United States.

It has been argued—not without force—that volume alone is not an adequate criterion of the importance of trade on specific routes. The tonnage required to transport America's imports of rubber from the Dutch East Indies and Singapore is but a fraction of the total tonnage of America's imports whereas the value is large and the commodity itself is vital to the United States. So also the weight of the silk imported from Japan and China is small compared to the value of the goods. If, therefore, values rather than volume be used it becomes apparent that America's imports from the Far East are relatively more, and those from Latin America, less important. The same measurement applied to England's imports makes Europe more important as a source of supply.

The World War showed, as never before since

the days of the Armada, the rôle of the merchant fleet in war. As indicated in the last chapter, merchant vessels were used as auxiliary cruisers, as commerce raiders, as transports and as supply ships. The extent to which they were so employed may be judged from the fact that immediately on the outbreak of the war the best of the merchantmen were at once formed into the so-called Tenth Cruiser Squadron, and 4,000,000 tons out of Britain's 18,000,000 tons of merchant vessels were impressed into the service of transporting and supplying the British Expeditionary Force.[5] As early as August, 1914, the Cunard and the Royal Mail had nearly half their fast boats taken over as auxiliary cruisers or transports. By the end of the month all of the Canadian Pacific Railway Company's trans-Pacific fleet had been requisitioned.[6] During 1915 the demands on the private lines were even more insistent. By 1916 upwards of 1500 ships of 1500 tons or more had been requisitioned by the government.

The work of the Tenth Cruiser Squadron, later known as the Northern Patrol, is particularly interesting because it shows so clearly the advantages

of a merchant marine in the conduct of a war. This squadron, composed of twenty-four armed ocean liners, relieved the Grand Fleet of its functions of patrolling the northern trade routes in December, 1914, and from that time on, to use the words of Lord Balfour,[7] "practically carried out, single-handed, the blockade of Germany—night and day, through summer and winter in the stormiest seas to be found anywhere on the face of the globe . . . labours . . . more continuous, more important and more successful than any other branch of His Majesty's naval forces."

It is not alone as auxiliary cruisers that merchantmen have proved their utility in war. The three renovated and camouflaged commercial vessels which the Germans christened the *Moewe*, the *See Adler* and the *Wolf*, did valiant service as commerce destroyers. These slipped by the British patrols in the North Sea, and for upwards of a year harassed Allied shipping, destroying a total of 272,000 tons of merchantmen and disabling ships to the total of 37,500 tons in addition.[8] These commerce destroyers, as Capt. T. G. Frothingham has pointed out in

his "Naval History of the World War," [9] "showed the possibilities of operating, not only without naval bases, but also without any service of supplies. . . ." In addition to the losses which they inflicted, the disturbance of shipping and the delays and diversions which their mere existence entailed further increased the embarrassment which they caused the enemy. England's 114 cruisers scouring the seas for them failed for months to find them. The largest of these raiders, the *Wolf*, was only 5,809 tons.[10]

The service of merchantmen as transports is so well known as hardly to require elaboration. The projection of the American army into the front line trenches in France required a transport organization even more complicated than that of the British. In this the merchant vessels played the chief rôle, as the nation had only a handful of inadequate transport ships most of which had to be kept in the trans-Pacific runs where they had always plied. At the time of the Armistice 500,000 tons of shipping was devoted exclusively to transporting troops and 2,000,000 tons to carrying their supplies to Europe. Is it to be wondered, therefore, that in comparing

naval strength American officers are inclined to stress the value to Britain of her 880,000 tons of merchant vessels suitable for auxilary naval work, in contrast with America's paltry 188,000 tons? [11] Lacking an adequate merchant marine America had to rely largely on foreign ships as transports.

No proper understanding of the problem of naval limitation can be had without a full appreciation of the overwhelming force of England's tradition that she must rule the seas. Rooted deeply in history and nourished by experience, this ideal had the support of Englishmen of all shades of political opinion. It has been admirably phrased by Lord Robert Cecil in his famous letter to Colonel Edward M. House, dated April 8, 1919,[12] in which he pointed out that:

> It has been now for centuries past an article of faith with every British statesman that the safety of the country depends upon her ability to maintain her sea defence, and like all deep-rooted popular sentiments it is founded in truth. Not only have we dominions scattered over the face of the world, each of which requires protection from the sea, but the teeming population of the islands of the United Kingdom can only be fed and clothed provided the avenues of sea traffic are safe. We import four-fifths

of our cereals, two-thirds of our meats, the whole of our cotton and almost the whole of our wool. If we were blockaded for a month or less we should have to surrender at discretion.

Before the war England's policy was to have a navy equal to any two others. The experiences during the years 1914-1918 showed the English people clearly that the navy stood between them and destruction.

Under the circumstances it is easy enough to understand the resentment of British naval officers when they realized, after the Armistice, that the American naval program, sponsored by Woodrow Wilson in 1916, would, if carried out, give the United States the most powerful fleet in the world unless Great Britain was able and willing to embark on a large naval construction program to outbuild the United States.

With greater suavity than the Admiralty Lord Robert Cecil in this same letter to Colonel House deplored the "very unfortunate impression" caused in "exalted quarters" by high officials connected with the United States Navy.

Very possibly they have been misunderstood [Lord Robert wrote], but they have in fact conveyed the idea that the Naval policy of the United States is one of expansion; that the American ambition is to have a navy at least as strong or stronger than that of the British Empire, and so on.

He then went on to say that if he were British Minister of the Navy and saw that British naval safety was being threatened even by America, he should have to recommend to his fellow countrymen to spend their last shilling in bringing the fleet up to the point necessary for their safety. That this was—and still is—the attitude of nine out of ten Englishmen has been repeatedly made clear since that time.

The American point of view, however, saw nothing reprehensible in the United States having a navy as large as or larger than Britain's. Opinion was not, of course, unanimous. In the United States it never is on such matters. There were genuine pacifists who sincerely sought disarmament. There were liberals who equally sincerely deplored the expansion of the American fleet. Others, however, weakened their position by advocating disarmament

for the United States but approving a great navy for Britain. Woodrow Wilson in 1916 had advocated a navy second to none.

A thoughtful few, realizing that the destruction of the German fleet had removed the only European check on the British navy, were genuinely alarmed lest England's big-navy group, unrestrained at last, should make trouble. For the most part, however, America's naval protagonists wanted a big navy not in order to fight Britain but to end for all time British interference with American commerce while the United States was neutral—interference such as had been experienced in the World War and during the Napoleonic era.

At the Paris Peace Conference the representatives of the two powers sought to protect their own interests. President Wilson refused to heed Mr. Lloyd George's plea that America stop building ships. The result was that naval construction continued throughout 1920 and 1921, to the increasing alarm of the British naval leaders, who realized that Great Britain could not afford to spend as much money on ships as could America. In casting about

for a method of ending America's construction program, therefore, some of them conceived the idea of sounding out the new Republican administration with a view to the possibility of a conference to discuss the limitation of naval armaments.[13] They found President Harding and Secretary Hughes so receptive that the American Government took the public initiative and officially called the Washington Conference.

At this conference the United States voluntarily abandoned its program of building the largest navy in the world, and endeavoured to have the nations agree to a general limitation in tonnage of all categories of ships. Apparently Mr. Hughes failed to realize how anxious the British and Japanese were to see America's 1916 building program stopped. By laying his entire hand on the table at the very first move—a gesture which showed the others that their objective of limiting the American navy would surely be accomplished—he lost the only lever that might have helped him force through the entire program of limitation in all categories of ships.

On the records the French are responsible for the failure to extend the Washington ratio from capital ships to auxiliary vessels. But in view of subsequent developments there is little reason to believe that the members of the British delegation were deeply grieved—except at their inability to induce the French to abolish submarines.

Be this as it may, the Washington Conference achieved the notable result of establishing in practical form the principle that national defence is a subject which may be regulated by international agreement. Theretofore each nation had always insisted that it alone was the judge of its military and naval needs. By accepting an arbitrary ratio as a means of limitation, the conference pointed the way to the ultimate cessation of a race for naval armaments.

The price paid for these contributions to a practical program of world peace was not evenly divided. The United States scrapped 842,380 tons of ships to England's 731,250 tons.[14] While at first glance this seems approximately equal an analysis of the detailed figures (see note 14) shows that Great

Britain scrapped 500,000 tons of obsolescent ships to America's 267,740 tons, but that the United States scrapped 465,800 tons of new ships under construction whereas Great Britain scrapped 192,000 tons of ships that had been projected but of which even the keels had not been laid. In other words, England made the biggest sacrifice of old ships (most of which were no longer carried on the active list) and the United States sacrificed the largest share of the new ships which would have given her combat superiority over Great Britain.

Furthermore, the United States, to placate Japan, agreed to forego the right to strengthen the defences of the Philippines and to build a naval base in Guam. Great Britain, under this same provision, abandoned the right further to fortify Hongkong, but retained full powers to strengthen Singapore as much as she wanted. In political fields the scrapping of the Anglo-Japanese alliance, earnestly desired by the Empire as well as by the United States, was regarded as one of the most important achievements.

So great was America's faith in the spirit of the Washington Conference that even though the treaty

there signed applied only to capital ships and aircraft carriers, the public was confident that limitation in cruisers, destroyers and submarines could and would be easily achieved. The United States, therefore, contented herself with finishing the cruisers already under construction. Early in 1924, Japan and France, followed by Great Britain, laid the first keels of the new 10,000-ton cruisers. In December of that same year Congress authorized the building of eight American cruisers of this type but failed to make appropriations for them, with the result that the United States did not begin work on her 10,000-ton cruisers until 1926—two years after the other nations had started building theirs.

By the end of 1926 the respective construction programs stood as follows: [15]

	U. S.	*U. K.*
Building and Authorized	8—80,000	15—145,000

The Geneva Conference intervened, but the United States spent the year 1928 wrangling about whether or not to build more cruisers. England, in

the meantime, kept her shipyards busy. The result was that by the end of that year the new construction stood as follows:

	U. S.	*U. K.*
Building and Authorized	8—80,000	19—179,300

Of Britain's program 15 were 10,000-ton cruisers.

The final passage of America's new naval bill left the respective cruiser strength of the two powers as follows, after deducting American and British vessels listed for sale:

	U. S.	*U. K.*
Built	24—214,245	52—300,596
Building	18—180,000	9— 86,800
Projected	5— 50,000	3— 22,500
Total	47—444,245	65—410,196

Out of America's cruisers listed as built, all but 10 are more than 20 years old and so are obsolete. England has no cruiser more than 20 years old. If,

therefore, this table be revised to eliminate obsolete ships, it reads as follows:

	U. S.	*U. K.*
Built	10— 75,000	52—300,596
Building	18—180,000	9— 86,800
Projected	5— 50,000	3— 22,500
Total	33—305,000	64—410,196

Inasmuch as a number of England's cruisers will begin to be obsolete after 1931, this means that if America's authorized program is carried out in full the United States will have an effective cruiser strength in large modern cruisers about equal to England's. In 10,000 ton cruisers alone she will have 23 to England's 20, unless the final negotiations between Messrs. Hoover and MacDonald result in cancelling some of the 10,000 ton cruisers now building.

Awakened, at last, to the fact that even though the Washington Conference had limited capital ships a race in cruisers was in progress, President Coolidge, who by nature was averse to large arma-

ments, called the gathering in 1927 now known as the "Geneva Conference." Contrary to the assertion so commonly made on both sides of the Atlantic that the conference was inadequately prepared, American representatives had held lengthy pourparlers with British officials several months before the conference was called including and subsequent to the meetings of the Geneva Preparatory Disarmament Commission and received what they considered satisfactory assurances that the principle of parity which had been applied at the Washington Conference would be acceptable in Geneva. There were hopes that the British would also agree to material reductions in the total tonnage of the different categories of auxiliary vessels as well as to a limitation of the maximum figures.

When the conference met the American delegation proposed that the limitation of tonnage for cruisers should be from 250,000 to 300,000 tons for the United States and Great Britain and from 150,000 to 180,000 for Japan.[16] Each nation was to have liberty, within this total, to build the number and type of vessels not larger than 10,000 tons

or carrying guns of higher calibre than 8 inches, which it considered best suited to its national needs. The British immediately countered with a proposal to divide the cruisers into two categories, one of 10,000 tons, which was to be strictly limited, and the other of 6,000 tons, on which the maximum limitation was to be very generous. The total tonnage under the British proposal came to from 425,000 to 600,000 tons, or about twice that proposed by the Americans. This, President Coolidge later pointed out, constituted not limitation, but an expansion of the navies.

The British took the position that the 10,000-ton cruisers, which were to be armed with 8-inch guns, were "offensive" vessels, whereas the 6,000-ton cruisers were purely for defence. They sought to have a low limit fixed on the larger class, but explained that their defence problem was such that they needed even more of the small cruisers than they then had. Furthermore, they insisted that 8-inch guns were too large, and throughout the conference tried to bring about an agreement reducing the calibre of the guns.

Inasmuch as the United States needed the 10,000-ton cruisers owing to her lack of naval bases, the Americans resisted this effort to limit the number of larger cruisers at the same time that the total number of the smaller vessels was to be increased. In the United States it was felt that the relation between Great Britain's naval bases and her plea for small cruisers had not been altogether candidly set forth. So also, the insistence that England's 6,000-ton cruisers were purely "defensive" was regarded as not ingenuous—especially in view of Admiral Jellicoe's use of the German cruiser *Emden* as an argument why Britain needed so many cruisers. This vessel, it will be recalled, caused great destruction during the first months of the World War, and diverted many British cruisers to counteract her powers of evil. The distinguished Admiral, until pressed, failed to state that the *Emden*, whose aggressive record was so appalling, was only about two-thirds the size of the British 6,000-ton cruisers which are solely "defensive."

These technical differences were the apparent causes for the failure of the Geneva Conference.

But more distressing to advocates of naval limitation was the insistence of the British delegates on "absolute naval needs." This seemed to be a contravention of the practice at the Washington conference of regarding international, as well as purely national, interests in considering naval limitation.

The suspicion in America that the British were, in fact, unwilling to concede the principle of parity was subsequently borne out by the testimony of Viscount Cecil of Chelwood, one of the British delegates. Contrary to popular opinion, however, it was not the admirals, but the politicians, who were most adamant in this respect. Mr. Winston Churchill phrased the attitude of his colleagues in the British cabinet when he said that "we are not able now—and I hope at no future time—to embody in a solemn international agreement any words which would bind us to the principle of mathematical parity in naval strength." [17]

This denial of the fundamental principle on which the conference had been called was, of course, disillusioning to the Americans, who were doubtful about the effect of Viscount Cecil's resignation.

They realized that his public protest and his open denunciation of the methods of the British Government at Geneva were met with sympathy in influential English quarters. But they felt that the reactionary elements had on their side the immutable force of England's tradition of sea supremacy. Unfortunately, the subsequent proposed Anglo-French naval agreement confirmed the American belief which was accurately if caustically set forth by President Coolidge in his speech on Armistice Day, 1928, in which he described that proposal as one "which would limit the kind of cruisers and submarines adapted to the use of the United States but left without limit the kind adapted to their [France's and Britain's] use."

President Coolidge's plain speaking on this occasion roused bitterness in England. But prudent observers who were anxious for genuine limitation of naval armaments realized that from that day forth the prospects of an equitable agreement between the two countries would steadily improve. His words made it obvious even to the most conservative Englishmen of the old school that if anyone as opposed

to the use of force as Mr. Coolidge, who had shown such patience for so many years in trying to bring about a marked reduction of the American and English navies, turned and accepted the point of view of the "hard-boiled" big-navy men the sentiment in the United States must have changed. Coincidentally the final passage of the cruiser bill providing for the construction of fifteen 10,000-ton cruisers removed the last doubt that the United States was prepared to achieve parity by construction if she could not obtain parity by negotiation. Under the circumstances the obvious course was to seek immediate limitation by agreement. Mr. Stanley Baldwin made it clear that his government accepted the principle of parity. Mr. Austen Chamberlain publicly concurred. When, after the British election of 1929, Mr. Ramsay MacDonald reiterated in even plainer terms the acceptance of the principle of parity it became obvious that an agreement was in sight.

The danger lay in the opposition which the Admiralty group and the Conservatives might muster to thwart the Labour Government's purposes. By

the end of the summer of 1929 friends of naval limitation had the satisfaction of learning that the British Government was prepared to consider a maximum of 50 vessels aggregating 339,000 tons for their cruiser strength compared with the 70 vessels totalling about 500,000 tons which they had set as their "irreducible minimum" at Geneva. The fact that America's cruiser strength is limited to only 305,000 tons and that, contrary to the policy asserted at Geneva, a limitation has been placed on the number of America's 10,000-ton cruisers, does not materially vitiate the principle of parity. More important by far than the number of vessels and the kind of guns is the fact that a comparatively low maximum limit on cruisers has at last been set. The danger of a naval race is thus eliminated. With the final settlement of the details of the naval agreement one of the greatest potential causes of friction between Great Britain and the United States is removed.

Looking back over the events since the outbreak of the World War in 1914 the remarkable thing is not that there should have been so much ill-feel-

ing between Americans and Englishmen about the navies, but rather that the differences did not lead to graver consequences. In the three and a half centuries before the Washington Conference Great Britain had fought and overcome those nations whose fleets had threatened British naval supremacy. Although at the Washington Conference the United States agreed to forego the construction of a fleet larger than England's, the British Government has now finally accepted the principle that the fleets of the two countries shall be approximately equal. Even though this does not mean that the nations have actual equality in combat strength, the recognition of the principle of parity in itself constitutes a striking reversal of Britain's traditional policy. The way is thus paved for close cooperation between the English-speaking peoples in the enforcement of world peace.

VIII

OCEAN HIGHWAYS

THE doctrine of the freedom of the seas has been the reply of weak maritime nations to the claim of a stronger naval power to control the shipping of neutrals as well as of belligerents. It is the obverse of the supremacy of the seas which Great Britain has so long championed. These two antagonistic ideals have caused one war between the United States and Great Britain, and nearly brought about a rupture of relations on two other occasions. How to reconcile them is still the greatest unsolved problem in Anglo-American relations, more complicated than ever by the fact that the rôles are reversing, and, whereas it was formerly England's interest to deny the doctrine of the freedom of the seas and America's to invoke it, Great Britain is now beginning to champion the freedom of the seas and the United States to question the doctrine's utility.

The British position, in reply to which the freedom of the seas was invoked, has been simply summed up by the English historian, Sir Francis Taylor Piggott,[1] in the words that "interference with neutral trade is justified whenever the premise on which the neutral claim rests—unconcern with the war—is negatived by the facts. When the neutral has established relations with the enemy his claim to absolute right is vitiated. To this fundamental principle England's action has been at all times referable."

By way of amplification he points out that the extent of belligerent interference with neutral trade is determined by the nature of the relations which the neutral itself maintains with the enemy. If these are close, belligerent interference will be great. These relations, in turn, "have compelled the assertion by belligerents of a right to visit and search neutral merchantmen in all circumstances, and of a correlative duty in the neutrals to submit to visit and search whenever it is claimed." [2]

In thus giving practical form to the doctrine of the supremacy of the seas Great Britain has sought

to cripple her enemy rather than to disregard the rights of neutrals. The old military doctrine is that necessity knows no master in times of war. It serves the purpose of a supreme naval power to prevent the enemy from using the sea. It is the neutral's misfortune if, in defiance of proclaimed blockades and with full warning of the risks he runs, he persists in trading with the enemy, either directly or through other neutrals.

In order to nullify this weapon of British sea power Napoleon, among others, insisted that the flag covered the goods and that enemy goods in neutral ships were therefore neutral. Great Britain saw that this would permit the enemy to defeat the blockade which she had imposed. Such a practice, as the same historian pointed out,[2] "would have supplied him [i.e. the enemy] with merchantmen to carry his commerce in place of his own, which had been driven from the sea; the neutral flag would have saved him from the necessity of supplying them with the escort of men-of-war." In other words, the enemy would have enlisted the shipping of neutrals to nullify the blockade, safe in the

knowledge that these neutral vessels were immune from capture.

In the World War, when it became apparent that Germany was receiving a large volume of supplies from the two Americas through Holland and Scandinavia Great Britain not only instituted a system of rationing which amounted, in effect, to a form of blockade directed against Germany through the neutrals, but also invoked the doctrine of "continuous voyage" to prevent goods obviously destined for Germany but consigned to Holland or Scandinavia from reaching the enemy. In spite of the fact that this doctrine had been adhered to by the United States during the Civil War, and that there was every reason to believe that the neutrals adjacent to Germany were supplying her with goods obtained under cover of neutrality, the United States and other neutrals were loath to admit the principle that a belligerent had the right to prevent neutral trading with neutral.

Their protests against this as against all interference with commerce have usually been in the name of freedom of the seas. As this phrase has been used

to cover a multitude of special interests of weaker belligerents as well as of neutrals, it is well to define at least two meanings—that of an influential group of Germans before and during the war (which was also Napoleon's view) and that of the United States and other neutrals in the wars of the last century and a half.

The German theory in 1914 was that the sea should be open in war to the commerce of the belligerents as well as of neutrals—in other words, a complete denial by a land power of the right of a sea power to make war on the land power's sea-borne commerce, even though the land power retained the right to make such inroads on the enemy's internal or coastal trade as might be to his advantage.

The American theory was that neutrals should be free to carry on their trade with other neutrals and with belligerents, provided the belligerent was not under an effective blockade, and always with due regard to international agreements respecting the carrying of contraband.

The nature of the German doctrine is such that it is unlikely to be raised again unless Great Britain

should find herself at war with a stronger naval power that threatened her communications. The American doctrine, however, is still a live issue even though in theory neutrality has ceased to exist since the formation of the League of Nations. It is well, therefore, to review briefly the history of the freedom of the seas in Anglo-American relations so as the better to understand what is involved.

As the Napoleonic War spread, the opportunities for America's merchant marine to capture an important share of the world's carrying trade increased. The attempts of the British to drive French shipping off the seas and of Napoleon to bottle up the English by decrees meant that neutrals were exposed to the whims of each belligerent. Not only did this give the neutrals a special incentive to insure the safe transportation of their own goods, but it offered extra profits for them to risk carrying goods for the belligerents. Each nation, including the neutral United States, was governed by what it conceived to be its own interests. As a result of French interference with American ships the United States was virtually at war with that coun-

try for the better part of two years. After repeated interference with American merchantmen by the British, coupled with impressment of seamen even from American naval vessels, the United States went to war with England in 1812 in the defence of the right of American ships to be unmolested by the British Navy on the high seas.

When the American Civil War broke out, the position was somewhat different. The Union declared the Southern ports blockaded, and seized vessels that attempted to run the blockade. Furthermore, owing to the practice of the British of shipping goods for the South by way of Cuba and the West Indies the doctrine of the "continuous voyage" was invoked whereby the United States claimed the right to intercept goods destined for the enemy even if consigned to a neutral port. So bitter did the feeling between the North and England become that it was probably only the knowledge that with England on the side of the South the Union would perish which held back the government of Lincoln.

With the outbreak of the World War the neutral United States again asserted the doctrine of the free-

dom of the seas and Great Britain again interfered with American ships. Once more feeling ran high, and had it not been that Germany's violations of the rights of neutrals were even more brazen than England's and that, in the final analysis, it was not to the interest of the United States to see Germany triumph over England, there might have been war with England again. As it was, Germany's denial of the freedom of the seas through the unrestricted use of her submarines was the principal *casus belli* of the United States. This was thus the third war which the United States had fought as a result of interference with her commerce on the high seas.

The difference between the United States and Great Britain about the freedom of the seas arose again even while they fought side by side. When President Wilson advanced his famous Fourteen Points the British contested number II which bespoke the freedom of the seas. Colonel House, in negotiating with the representatives of the Allies about this matter, made it abundantly clear that the United States would not in future submit to having her commerce interfered with by the British Navy,

and pointed out that failure to accept the doctrine would inevitably be followed by the construction of an American navy large enough to insure the protection of American commerce from interference by Britain. Lloyd George rejected the doctrine, stating that his people were so whole-heartedly opposed to it that he would be forced to resign if he accepted it, and that his successor would be placed in a like position.[3]

President Wilson's acquiescence in the final compromise by which the subject was reserved for further discussion at the Peace Conference was apparently determined by his belief that the League of Nations would put an end to neutrality and that the question of the freedom of the seas would thus cease to be important. This theory rested on two assumptions—that all the nations would join the League, and that there would be enough unanimity among them in the event that one of them resorted to war to make it certain that the entire world would unite in punishing the offender.

The first assumption has proved mistaken. The second remains to be tested. Incidentally, it invites

the suggestion that the clumsiness of the American machinery for conducting foreign policy, coupled with the usual ignorance of world affairs on the part of America's leaders, together with the clamour of alien groups and propagandists against any proposed course of action which might adversely affect the interests of a foreign country, make it almost certain that the United States, if a member of the League, would be paralysed in the event that it had to decide whether or not the sanctions should be used against a nation accused by its neighbours of being a disturber of the peace.

To understand this more clearly it is only necessary to consider the probable course of events had the League existed in 1914 and the United States been a member of it. The same forces would have at once been set to work—the Allied sympathizers demanding a blockade of Germany, and the Germans protesting that Great Britain, Russia, and France were responsible for the war. The American public as a whole would have remained indifferent to the propaganda of the two warring groups until American interests were interfered with and Ameri-

can lives threatened. Then, as actually happened during the war, America, reluctant to fight, would finally be driven into the war by that nation which most threatened America's own interests. In the meantime the United States would refuse to recognize the right of the belligerents of both sides to interfere with her trade. In short, the condition (if not the name) of neutrality would reappear and with it all the problems that grow out of the relations of non-combatants with belligerents.

Many persons had hoped that Woodrow Wilson's idea would prove effective. But so long as the United States is out of the League of Nations and can, in the event that that organization declares a nation to be subject to the boycott, insist on its right to trade with the banned nation, the question of neutrality is far from academic. In fact, it is even conceivable that if the United States were to join the League the problem of neutrality would still remain, and with it the freedom of the seas. All would depend on the effectiveness of the League, and on the extent and intensity of the war which it sought to curtail. It is futile to ignore the repeated lessons of history

which indicate that the more desperate the war the less attention is paid by belligerents to treaties and to the rights of neutrals. The nations—including England and the United States—have not hesitated, when pressed, to do what their interests suggest even if this means a complete reversal of a long cherished policy.

Unfortunately there is another and graver complication—the League of Nations' blockade as effectively denies the freedom of the seas as did England's superior navy in the past. By demanding complete non-intercourse with the offender it imposes restrictions on non-belligerents even more complete—if less harsh—than the most successful British blockade. In fact, it gives legal sanction to the very denial of the rights of non-combatants for which the United States and other neutrals have so persistently contended. The advantages of such a course are not here in question—only the fact that the close analogy between the doctrine of the supremacy of the seas and the League blockade is sure to precipitate political quarrels in the future.

In the final analysis all depends on whose ships

are interfered with. So long as American vessels were being seized the United States was an ardent devotee of freedom of the seas. When it became to her interest to curtail trade with the enemy she put her best efforts into achieving success. After the United States became a belligerent she was as active as England in supervising neutral shipping so that Germany should not profit from it. Judging from the fact that the Government did not hesitate to revive the almost obsolete "right of angary" by which to justify her seizure of Dutch ships in American harbours it may be assumed that the American Government was ready enough to follow the traditional course most favourable to a strong maritime nation dealing with weak neutrals.

Strangely enough some of the English Liberals are even more realistic in their understanding of this than are the Conservatives. Accepting the fact that Great Britain no longer is the sole ruler of the waves they foresee the possibility that the United States as a belligerent might want to assert on her own behalf the old British doctrine of control of the seas with all that it implies in the nature of restricting

the trade of neutrals. Serious interference with England's commerce, even if she were only a neutral, would cause her financial loss and possibly even physical suffering. As a neutral she would thus be loath to see another power attempt to restrict her trade as she had controlled that of neutrals in past wars. Obviously, therefore, it would be to England's interest to invoke the doctrine of the freedom of the seas. In fact, the axiom may be suggested that as the strength of the British navy declines in relation to that of the United States Great Britain will tend to advocate freedom of the seas and America to deny it. If, therefore, the United States can be bound by a treaty to uphold the doctrine it will be possible to put her in the position of a moral outlaw if she interferes with neutral English shipping.

In America these things are not understood. The people are indifferent to foreign affairs, are not sea-minded, and delight in making a fixed policy of any long-familiar slogan, especially if, like the "freedom of the seas," it seems altruistic and rather noble. It is to be expected, therefore, that such a treaty

would have wide support, especially among the internationally unsophisticated. It could be made to appear as a "triumph" over England—America finally obtaining formal recognition of the interests of neutrals for which she had quarrelled with England for a century and a half.

But those Englishmen—and American idealists—interested in this problem who wish to form a correct estimate of America's probable practice in the future with respect to freedom of the seas would do well to assemble the as yet inadequately recorded facts of America's acts as a belligerent in the World War. If, in so doing, they will bear in mind the intimate relation between naval supremacy and the doctrine of the control of the seas on the one hand, and naval inadequacy and freedom of the seas on the other, they will be less likely to be misled, or—which is, perhaps, even more important—to mislead their respective publics into demanding an agreement which, if negotiated, would not be worth the paper on which it is written.

IX

SERVANTS OF THE EMPIRE

TRADITION has been one of the chief factors in shaping Englishmen in a different mould from Americans, despite ties of race, language and custom. The force of this tradition is inadequately appreciated on either side of the Atlantic. Taking it for granted, Englishmen ignore it. Americans only sense it when its influence is sharply forced upon their consciousness. It is manifested in many intangible ways: in the persistence in England of what is in effect if not in name a caste system; in the devotion to form and formality in all official relations; in the adherence to nepotism and the rule of thumb in business; in the reluctance to change any custom sanctioned by generations of practice; in the preference for personal contacts in business based on friendships of previous generations; in the acceptance of British sea supremacy as part of the immutable order of things.

This conservatism has stood England in good stead. By treasuring experience, by amassing precedents, by clinging tenaciously to custom, by unflagging faith that England's is the right way, Englishmen have gone forth into distant lands, within or without the Empire, and with their dogged sense of responsibility have done the day's work courageously and well. Whoever has met English officials in remote places has been impressed by their high sense of duty and fair play, their sure calmness under stress, and their disregard of self in danger. Doubtless they draw strength from the knowledge of the might of their Empire, and from the confidence that, whatever may happen, their government will, in the end, support them, dead if not alive. As men of character they stand high, despite the fact that in their personal relations they are often arrogant, not infrequently ill-mannered, and on occasions narrow-minded and disdainful of the life and people about them.

Not only among backward races does the strength of the Empire and the self-confidence which is their tradition stand Englishmen in good stead. Even in

the smaller lands of Europe the prestige of the English name is mighty. When the unwritten history of the armistice period in the former Austro-Hungarian Empire becomes known the world will learn of the handful of communist adventurers in Hungary who, when the Bolsheviks took over the government of that country from Count Karolyi, by a ruse captured a small British river gun-boat moored off the Hotel Ritz in Budapest. In order to secure it they removed parts of its machinery at the same time that they placed the captain under nominal arrest. A few hours later word was flashed up the Danube that a British river monitor was on its way to Budapest. No sooner had this news reached the Bolsheviks than they made post-haste to restore the missing parts to the British gun-boat and liberate its commander. When the monitor arrived foreigners of all nationalities knew that the mere presence of this symbol of the might of England was enough to prevent the Bolsheviks from resorting to the sort of anti-foreign violence that marked their taking over of the power in St. Petersburg when the Czarist and the Kerensky governments collapsed.

A little later the keen sense of responsibility of an English army officer in Vienna led him to hold up instructions from the Supreme Allied Council until he could have them rescinded—instructions which might have precipitated a new crisis in Central Europe, but which his French colleague was fearful of disobeying and his American associate impotent to disregard. In the crisis the Englishman instinctively did the right thing, firm in his confidence that he would be supported when his people understood the situation more fully.

The part played by the subtle power of tradition in this sort of action is more easily sensed than defined. It derives ultimately from the "Public Schools" which have stamped the leaders of England in the mould of responsibility. Even those who have not attended Eton, Harrow, Rugby or Winchester, have come under the indirect influence of these ancient institutions. What they have shaped, Oxford and Cambridge, together with Sandhurst and the naval training schools, have finally perfected. The result is a spirit which is secretly admired by foreigners even when outwardly resented.

The poise, the devotion to duty, the sense of service of these Englishmen is unmatched.

In the field of foreign trade the force of custom likewise has played its part. Englishmen whose relatives have lived abroad for generations go out themselves prepared to stay as long as may be necessary, ready to learn and to take over the work of their predecessors. Owing to the ramifications of friendship and family relationship they are able to keep the merchants at home in touch with activities in all parts of the world. English engineers direct mines or railroads in foreign lands and their children follow after them. Even though they live abroad for several generations, they remain intensely British.

This foreign experience resting on the firm foundation of generations of established connections is one of the reasons why London continues to be the great centre of world business, and bids fair to continue to remain so until the Americans establish their foreign trade and banking on foundations as firm as England's. As M. André Siegfried put it in his volume, "Post-War Britain," "Decades, not

years, are required to produce a centre like London, where the rôle of international middleman is played to perfection with the aid of incomparable institutions that have been built up on the experience of a century. This rôle can only be filled by a people who are extremely civilized, very skilful and, above all, inured by long tradition to all the practices of a profession which cannot be improvised."

The very strength of Britain's traditions is also responsible for the unfailing loyalty of the Englishman to his country. Whether he live in the United States, in China, or in the Antipodes, he never misses the opportunity to further British interests. In particular is this true in the realms of trade and finance, and is manifested not only in devotion to duty but in a persistent and often subtle campaign to belittle England's competitors. Even when in the employ of foreign concerns he never forgets that he is British, and that Britain's greatness is in large measure due to the tireless devotion of her people.

There are, of course, disadvantages to Britain's conservatism. They are obvious, and many have

already been referred to in earlier chapters—the unwillingness to adopt new methods which their competitors have proved to be better than the old; the failure to benefit to the utmost from machinery in production; the adherence to antiquated forms of organization; the preference for giving work to relatives rather than to experts; the feudal attitude towards labour; the resistance to all innovations. It is not impossible that a balance sheet would show that such handicaps are even greater than the advantages.

Certainly they are among the dangers signalled by those who profess to see the decline of the British Empire. But these gloomy prophets overlook the fact that for at least 300 years critics have periodically announced the imminent demise of Britain without their vision being fulfilled.

In this distant day it is hard to realize that within a generation after the death of the great Elizabeth England, which had been triumphant under her leadership, spreading out through the world, defeating the most powerful empire in Europe, defying the Pope of Rome, extracting ransoms

from distant potentates, would be faint-heartedly driven off the seas by a small land power but recently liberated from Spanish tyranny. Had the 20th Century Jeremiahs lived in the days of King Charles they would doubtless have been positive that England's sun had set. But they would have failed to reckon with the recuperative powers of England under competent leadership. Cromwell's gift of organization and courageous modernization of the English navy were largely responsible for England's recovery and the final defeat of Holland.

Again, in the second quarter of the 19th Century, when the Navigation Act was repealed, observers predicted that England's maritime supremacy was ended and that her merchant marine would be unable to meet the competition of newer and more efficient ships. By drastic reforms and expensive replacements the shipping industry met the new conditions and retained its dominance in the world's carrying trade.

After the World War when British finances were in a perilous condition and critics insisted that sterling could never regain its ascendency Britain made

the supreme effort to restore her currency and her credit. The path of least resistance would have been to permit the pound to depreciate as European currencies had done. The cost of preventing this was enormous, and will be borne by British taxpayers for years to come. Had her critics been right she would not have been able to undertake or to survive this drastic reform.

But compared to her present condition England's other periods of depression seem mild. Never has she had such burdens—appalling taxes, increasing unemployment on an enormous scale, continued labour difficulties of the gravest order, stagnation of business, acute competition from abroad, decline of foreign trade, unrest in British possessions and protectorates from Suez to China.

Although it has been the glory of British character to make the strongest recovery when the crisis has been most desperate, there are indications today of a mortal disease of the soul which, if sufficiently far advanced, may at last corrode the character—a combination of sloth, resistance to change, blindness, defeatism and excessive temporizing which sug-

gests a sick or an exhausted civilization. This may be due in part to the appalling human losses of the war, which wiped out the finest manhood of the ages that today would be in power. Those who have survived are weighted with sorrow. To many of them the world is empty. The younger generation, to whom the war means childhood memories of tragedy and privation, are only beginning to realize that their responsibilities are all the greater because their fathers and older brothers are no longer here to lend a hand. Unless the will to succeed has been broken —scarcely believable to those who know the English character—England may be expected to rejuvenate her spirit as she has done after other calamities.

Europeans and Englishmen alike have made the mistake of assuming that Americans are only Englishmen living across the Atlantic. As a matter of fact the "transplanted Englishmen" began to suffer a transmutation into something strange and American three hundred years ago. The process has been continuous and has naturally been accelerated during the last century by the large addition of various

foreign stocks to the descendents of the original colonial settlers. The misunderstanding rises not so much through ignorance of the fact of this blood dilution as through the failure to realize that such trans-Atlantic traditions as derive from English sources come not from contemporary Britain but from the England of the 17th and 18th centuries. Since 1775 English and American history have grown steadily further apart.

Just as tradition has differentiated the Englishman from the American so the effect of environment and, more particularly of pioneering, has made of the Americans a race distinct from the British or the Europeans. While the frontier, in the narrowest sense of the word, is a thing of the past, its influence has persisted. Even those Eastern families which are four to six generations removed from pioneering have felt deeply the frontiersman's point of view. The winning of the wilderness demanded certain qualities of character—self-reliance, self-control, energy, industry, ingenuity. It promoted certain group attitudes—cooperation in adversity, generosity in prosperity, conformity to a rigid moral code

based on incessant activity, respect for material well-being as the outward symbol of the successful application of the group morals to the battle with nature. From the beginning the frontiersman had to rely on his own "smartness" to lessen the endless drudgery of clearing the forests and making the plains fruitful. The man who could devise a "contraption" for hauling hay aloft by a pulley might save himself days of labour in filling his barn. So also, when waggons and tools broke far from a wheelwright or a blacksmith individual ingenuity had to devise repairs. A man had to be able to do countless different things—to hunt, to fell trees, to tend animals, to make harness and shoes, to build a house, to boil soap, to act as midwife, to preach a sermon over the grave of a neighbour—in short, to be a veritable jack-of-all-trades.

While it is true that only a small proportion of the present-day American people lived under pioneer conditions and the children of the frontier form probably not more than a quarter of the population, even the children of foreigners in the United States have been influenced by the moral and social

standards of the pioneer days. Alertness, curiosity, delight in ingenious inventions, pride in speedy achievements, impatience of restraint, disregard of customs and traditions, are widespread American traits today. Nomads by descent, Americans thrive on change, novelty and action.

In spite of the preference of Americans for the United States, and of their blatant contempt of all things foreign, many of them lack that deep-seated, firm devotion to their nation's best interests which is so typical of the average Englishman or Frenchman. This is traceable in part to the large masses of aliens or persons born of foreign parents who naturally have not acquired as deep a sense of confidence in their new nationality as they had in the old which was sanctified by generations of customs and traditions.

It is also due to a number of forces which have been consistently at work checking the growth of a sound American nationalism—the hyphenated alien groups which have preached loyalty to a European country as well as to the United States; the internationalists who have sought to free America from

what they consider the evils of European nationalism; and the sentimentalists and idealists who under various guises have thwarted the movement of unity in which alone the American people will find national salvation.

One of the consequences of their lack of a strong sense of nationalism is that Americans are particularly subject to propaganda conceived in the interest of foreign nations. For a century the Irish sought to embitter Anglo-American relations in the supposed interest of Ireland. In a lesser degree the Hindus and Chinese have sought to discredit England in American eyes for their own ulterior ends. During the World War and the peace settlement the most obvious examples of pro-foreign propaganda occurred. Since the peace loyal friends of England have in every way encouraged the disarmament campaign in the United States and have joined with friends of France in bespeaking the cancellation of the debts—two objectives which would be supremely valuable to England if achieved.

In fact, owing to the advantage of language and the degree of apparent assimilation of English-born

immigrants, the British have been particularly fortunate in impressing American public opinion, especially since the settlement of the Irish question has silenced the Irish propagandists. Although it is unlikely that since the war any single group has coordinated the pro-English indoctrination, the staunch loyalty of most Englishmen has enabled them to use every possible opportunity to put in a word for English interests. Thanks to the cloak of unselfishness in which England's self-interest is so often clothed the churches, the liberals, the internationalists in America have been effectively, even if unconsciously, drafted in support of English policies. No nation so skilfully uses internationalism to further national interests. No people are as successful in capitalizing altruism for ulterior purposes. So, for example, the submarine is branded as "inhuman" and hence should be banned. By chance it nearly broke English sea power. Free trade is highly "moral." It follows, therefore, that nations with high tariffs are not "playing cricket." It is a coincidence that free trade most favoured English commercial interests when it was most loudly supported.

The campaign for disarmament is solely in the interest of world peace. And yet never have the various organizations fighting American naval expansion suggested that the British navy should be reduced.

No corresponding pro-American propaganda has existed in England. The few Americans resident in that country are usually more English than the English. The rest are without influence. The cases of Americans high in the editorship of English journals who have kept close touch with their country of origin are few, whereas Englishmen have long held powerful posts in American journalism. The various organizations to promote Anglo-American friendship are so strongly under English influence that they rarely place America's interests as forcefully before the British public as they spread British views throughout the United States. As if this were not enough, the British have been more skilled in the art of influencing American newspapers than have American officials. The failure of Mr. Hughes to inform the newspaper correspondents as freely as did the British delegation at the

Washington Conference and the unflagging patience with which Lord Riddell furnished the background of the negotiations when it was not obtainable elsewhere resulted in many of the dispatches of American newspaper correspondents during the Washington Conference being coloured by an English bias. In looking after British interests the English spokesmen did nothing discreditable or unfair. They merely pitted their own skill and experience against the unsophistication of the Americans.

In business and in government the record of America's past mistakes remains to hamper future ambitions. So, for example, the great expectations roused by American banks in Latin America in 1920 and 1921, which were later not fulfilled, made it difficult for other American financial interests to obtain business in subsequent years and increased the complications of the Latin American policy of the United States. The early indifference of American exporters to the wishes of their foreign customers earned for them a reputation of being unsatisfactory people to deal with which has persisted despite the change in methods to meet the wants of

foreigners and has handicapped Americans in other lines.

In governmental matters three cardinal errors have done much to hamper American activities in certain regions. The Knox policy of internationalizing the South Manchurian Railway created in Japanese minds grave suspicion of America's intentions which has persisted for nearly two decades to complicate America's Far Eastern policy. The alternation of violence and vacillation in the relations with Mexico, Central America and the West Indies coupled with a general lack of candour has intensified Latin American fear and distrust of the United States and given occasion to Europeans to encourage anti-American propaganda. The tariff policy of the Republican party since the danger of European "dumping" has passed has roused bitterness abroad out of all proportion to the gains which it has brought to the protected industries. It has helped unite Europe against America, and tightened the ties of the British Empire by giving those nations a new common bond of hostility to the United States. Incidentally the tariff framers appear to have

been ignorant of the changes in America's commercial relations which have made it to her interest not to invite reprisals directed against American exports.

A contributory factor—as great or greater today than ever—is the unwillingness of Americans of education and talent to leave their own country. Not that they necessarily scorn "abroad" as did their forebears, but that the opportunities to succeed are greater if they remain at home. They know from observation that their contemporaries who enter business or finance in the United States are near "head-quarters" and rapidly attain the advancement for which they are ambitious, whereas those who go abroad are forgotten in the promotions, and as they become more useful in the foreign field their utility at home decreases. As a result the prospects of being able to rejoin their associates at home fade.

Strangely enough many of the Americans who do enter the foreign service lose their confidence in their own people. Frequently Americans living abroad are not only anti-, but un-American. Even in diplomacy we have had the common spectacle of American ambassadors in France being more

French in their sympathies than Frenchmen, and in Germany more German than Prussians.

To make matters worse the American foreign service is inadequately housed, underpaid, poorly trained and its members chosen because they can pay their way rather than earn it. Despite the fact that matters of business now furnish the most important incidents in American diplomacy the average American "career" secretary knows nothing of business and regards his fellow countrymen so engaged with the condescension that English lords are supposed to have reserved for their relatives in "trade" during the days of Queen Victoria.

To offset this the United States has in the Department of Commerce a body of experts with a world-wide organization devoted to the furthering of America's business. This has been functioning particularly actively and effectively since Mr. Hoover took it over in 1921. While it can do nothing to give financial aid to exporters and importers it not only supplies valuable information about trade opportunities and conditions but also on occasions intercedes abroad to protect the legitimate interests

of American business. Its position is not unlike that of the British Board of Trade, although in some ways it is less powerful and in others more useful.

Today conditions are changing. The need of understanding foreign affairs is slowly becoming apparent. The government is endeavouring to revitalize the foreign services, and American banks and business houses are seeking for their representatives abroad young men of education and background who will be able at the same time to look after American interests and to learn to understand the nature and wishes of the foreign peoples among whom they live. Already American engineers are going into distant lands to undertake, often single-handed, the supervision of vast operations. These men are proving those qualities of courage and endurance for which their British forerunners were respected, and are admired for their Yankee shrewdness and liked for their simplicity. Like Kim, the colts are nearly broken, but need to run a little more before being ripe for their work.

X

IF HISTORY TEACHES

THE history of England suggests a number of parallels that may help to indicate the trends of America's development. The similarities between the position of the United States today and of England after the Napoleonic wars have already been noted. England, profiting from the expansion of her industries under the war stimulus at the same time that Europe was impoverished, found herself the leading industrial and commercial nation of the world. The energy and intelligence of her leaders enabled her to make the most of these advantages and to embark on a policy of world-wide trade which enhanced her wealth and power and earned for her the envy of Europe and the mingled admiration and hatred of Asia and Africa.

While the United States today is following the same general lines of development there are at least three major differences which should be borne in

mind. First, as already indicated in a previous chapter, England for two generations after Waterloo had no competitors worthy of the name. The United States today has in Britain a formidable rival. Second, the British Empire was built on foreign trade, and the interlocking commercial and governmental interests were vigorously supported ever since the first merchant adventurers sought out distant markets for gain and glory. As a result, England embarked upon her period of greatest commercial expansion with a long tradition of trade, and with the government as a matter of course protecting English commercial interests throughout the world. By contrast the United States today is handicapped by inexperience and by the timidity of her government in supporting her legitimate business interests abroad. Third, the scattered possessions of the British Empire gave England points of vantage from which to extend her commerce into foreign as well as tributary nations. The United States, *per contra*, is a single territorial unit with few and inadequate outposts.

The rapid expansion of England's commerce in

the 19th Century brought in its train increasing political difficulties. Britain solved some of these by the simple expedient of annexation or by establishing protectorates. Where this was not possible the government did not hesitate to give active support to English commercial interests. In the process close relationships were established, some of which, as in China, led to international complications and others, as in the Argentine, insured profits for many Englishmen for generations.

In the United States, the government has done little (until the last decade) to encourage foreign trade and has usually been ashamed to support the legitimate business interests of Americans abroad. Furthermore, the people have persisted in the illusion that trade can be divorced from international politics. The many instances that prove the unsoundness of this chimera have been dismissed as exceptions or as propaganda. The truth is, of course, that as trade becomes more important all political acts at home or abroad which restrict or encourage trade are of direct concern to the United States. When the Argentine places an excessive export tax on prod-

ucts which the United States needs, or Great Britain encourages the artificial increase in the price of rubber, American interests are as much affected as when excessive tariff rates invite reprisals or serve to give Europe a common grievance against the United States or to drive the Dominions into a closer association with England. A quarter century ago these things would have had little practical importance for Americans. Today they cannot be ignored.

As a result of these changing relations it is not unlikely that there will be a gradual reversal of America's traditional protectionist policy and a movement in its stead towards free trade. Present indications are that those very manufacturing industries which for a century have fought for protection will, as they come to export in larger volume, wish to see foreign restrictions on these exports reduced to the minimum. If this can only be achieved by the lowering of America's duties on foreign goods prosperity would suggest the wisdom of following such a policy. England found that free trade was especially profitable during the period when her industrial supremacy was greatest.

The formidable strength of England throughout the 19th Century was the underlying cause of her unpopularity abroad. The fact that the nations of Europe felt powerless to thwart her increased their indignation about her apparent indifference to their wishes as she pursued her own interests throughout the world. Her prosperity, as well, they regarded as an affront, and the size of her world-wide trade seemed to them almost indecent. A nation so great and wealthy should, they felt, not try to expand her commerce continuously, but rather should leave a share of the world's trade for those poorer peoples who needed it more than did wealthy Britain. The old phrase, a "nation of shopkeepers" epitomized their jealousy of England's riches and they took comfort in depicting Britain as a grasping, over-rich, selfish monster, bent on dominating the world at the expense of more civilized peoples.

Already the United States is the butt of similar attacks. She is accused of faithlessness in international agreements, of being undependable, selfish, heartless and eager to "enslave" poor Europe and

annex Latin America. "Uncle Shylock" has replaced the epithet a "nation of shopkeepers." When the United States seeks to sell her wares abroad she is accused of trying to impoverish the Europeans. Her attempts to protect her own markets against European goods are fiercely denounced by nations which have for years been taxing imports from the United States as heavily as possible and otherwise discriminating against American trade. The large sums which she gave to relieve the post-armistice suffering in various parts of Europe are still regarded as attempts to buy good-will rather than as the gifts of sympathetic friends. Whatever the United States does or refrains from doing is criticized with that same bitterness which so long marked the attitude of the continentals towards the English.

In their relations with peoples of different races, including the Chinese and the Central Americans as well as the Filipinos, Americans, in sharp contrast to the English, have been handicapped by a lack of faith in the soundness of their civilization. This has

been in part responsible for their alternate bluster and apologies, for their swing from boasting to self-abasement. A defeatist element among the so-called "intelligentsia" has managed to paralyse timid officials who, in their ignorance of foreign affairs, have never been sure enough of their ground to act boldly in defiance of misguided propagandists. So, for example, American policy in China ever since the revolution of 1912 has been influenced by sentimentalists who have persistently misrepresented conditions in China and who, at the same time that they have sought to perpetuate American missions and schools in China, have encouraged the myth of the great superiority of the Chinese civilization over our own. These same people have also concentrated their attacks on the attempts of the American Government to protect the lives and legitimate interest of foreigners in Central America and have delighted in painting the United States as a nation of bloodthirsty materialists blind to the splendid picturesqueness of Spanish-Indian squalor and unappreciative of the nobility of character of bandit generals whose dusky skins belie their boasts of Castilian origin and

whose "superior" civilization dedicated to the goddess of liberty is characterized by murder-at-will, peonage and tyranny.

These same impractical idealists have even succeeded in preventing the American Government from discharging responsibilities which it has assumed with flourishes and promises. From the day that Admiral Dewey arrived in Manila Bay there have been Americans who have not only sought to induce the United States to relinquish the Philippines, but have persistently hampered the activities of government agents and sought to nullify the work which has brought spiritual as well as material benefits to the natives.

The same idealism that has prevented Americans from boldly fulfilling their obligations in the Philippines has inspired them to attempt the impossible—to make Americans out of Malays overnight. Unaware of the differences in points of view between the Orientals and the Occidentals and filled with noble sentiments about helping the "heathen" to the "light" the Americans have given much in the hope that current generosity would relieve them from

future responsibilities. They have refused to see that either to act or to abstain from acting in the Philippines involves them not only in fresh obligations towards their wards but affects the fate of other people in neighbouring lands. The repercussion of American policies in the Philippines is felt from India to Korea, yet if the United States were to grant independence to the Filipinos the American people would be totally oblivious of the consequences and would stoutly (and sincerely) deny that they were in any way responsible for what might follow.

A still smaller group of self-styled "idealists," carrying these same theories to their logical conclusion, have joined with the Keyserlings and the English prophets of defeat in insisting that western civilization in general and the American in particular, is utterly materialistic and lacking in all spiritual qualities. To this no more convincing reply can be made than in the words of the most distinguished of China's modern philosophers, Dr. Hu Shih: [1]

The term "materialistic civilization" which has often been applied to stigmatize the modern civilization of the

West, seems to me to be a more appropriate word for the characterization of the backward civilizations of the East. For to me that civilization is materialistic which is limited by matter and incapable of transcending it; which feels itself powerless against its material environment and fails to make the full use of human intelligence for the conquest of nature and for the improvement of the conditions of man. Its sages and saints may do all they can to glorify contentment and hypnotise the people into a willingness to praise their gods and abide by their fate. But that very self-hypnotising philosophy is more materialistic than the dirty houses they live in, the scanty food they eat, and the clay and wood with which they make the images of their gods.

On the other hand, that civilization which makes the fullest possible use of human ingenuity and intelligence in search of truth in order to control nature and transform matter for the service of mankind, to liberate the human spirit from ignorance, superstition, and slavery to the forces of nature, and to reform social and political institutions for the benefit of the greatest number—such a civilization is highly idealistic and spiritual. This civilization will continue to grow and improve itself. But its future growth and improvement will not be brought about by returning to the spiritualistic ideals of the East, but only through conscious and deliberate endeavours in the direction of fully realizing those truly spiritual potentialities which the progress of this civilization has indicated.

Great Britain has, like the United States, long had to deal with sentimentalists who have seized every occasion to insist in public that anything

Britain does is wrong. But thanks to the existence o
a large body of persons in England whose busines
has been almost entirely dependent on foreign trad
and who have, in consequence, had to inform them
selves thoroughly about international conditions
these English sentimentalists have been unable t
mislead public opinion in that country as exten
sively as have their counterparts in the United States
The British textile industries, for example, ar
vitally affected by the status of the cotton crop i
the United States or by a boycott of British goods in
augurated by Gandhi in India or encouraged by th
Russians in China. Banks having extensive interest
in the Far East are obliged to keep constantly i
touch with all that transpires in that part of th
world. Shipping companies naturally come directl
in touch with local conditions all over the globe
Always, therefore, a constant watch of world affair
is maintained by influential persons in England wit
the result that the interdependence of the variou
parts of the modern world is better understood ther
than anywhere else and that the fallacies of theorist
are checked by a wholesome sense of realities.

The few large American corporations which, like the Standard Oil, have world-wide agencies, follow international affairs closely but their influence in the United States is small. The various organizations for the study and discussion of foreign affairs help to stimulate interest but reach only a limited number of persons. It will be long before the United States has a body of opinion as well informed on world affairs as has England.

To offset this in part is the fact that each year a half million American tourists go abroad, and that 2,000,000 men served in the American armies in France. These people have only a casual acquaintance with Europe, and are for the most part indifferent to Europe's political problems. But the mere fact that they have been abroad gives them a greater interest in things outside of their own country. Partly to cater to this interest the leading American newspapers devote more space to foreign news than do the papers of England or the Continent. In fact it is possible to obtain a fuller survey of the transactions of some important international conference from the columns of the *New York Times*

than from any other single newspaper in all th world.

No amount of travelling abroad or of reading i American newspapers about foreign affairs seems t be able to impress Americans with the fact that th exercise of great power entails great responsibilities Again, the contrast with England is instructive. Th Empire grew slowly, and England's wealth was th result of a process of accretion and development Despite the accidents of luck in the enlargement o the Empire, she held what she acquired—except th American colonies—by constant vigilance and by sense of trusteeship which gave Englishmen th feeling that the interests of future generations wer being served by the profits of present-day protec tion and direction. English leaders thus came to ap preciate the fact that the very strength of thei Empire imposed special burdens on its administra tors. The leaders in London, regardless of party had always to consider distant reactions to local acts Despite blunders of incompetence and stupidity th result was to make intelligent Englishmen feel tha what England did affected the world, and that Eng

land could not, in consequence, act without thoughtful deliberation.

How the Americans will learn the implications of their great power is not clear. Their own experience as yet has given them nothing to make them conscious of it. It is, in a sense, their misfortune to have come by their wealth too quickly and easily. While this assures them the advantages of abundant riches, they have lacked during the last half century the schooling of adversity which was theirs before the country's resources were developed in riotous abundance. Their few foreign wars have entailed no severe hardships. Their adventures in the European style of imperialism have been lightly entered into and inconsequentially carried out. They have failed to train officials or business men in the intricate tasks of dealing with alien and backward races. A certain callousness and indifference towards other peoples has brought upon them the hatred of weaker nations and the indignation of the strong.

Fortunately there is no likelihood that the United States will ever seek to extend its sway over foreign lands. The problem, therefore, is to develop what

she now owns and to cultivate sympathetic relations with those nations whose commerce is becoming more and more dependent on the United States. It is here, however, that the lack of political sophistication of the American is the greatest handicap. To make matters worse the average American high in the government is inclined to apply to international problems the same directness that he uses in business. In fact, there have been notorious instances when American diplomacy has been so straightforward that it has defeated its own purpose.

So, for example, at the Washington Conference in 1921 Secretary Hughes, moving forcefully towards a single goal, regarded the problem of naval limitations as one which logically concerned primarily the three great naval powers—the United States, Great Britain and Japan. His keen realization that France and Italy were but third-rate naval powers led him to concentrate his attention on the infinite difficulties of adjusting the programs for the three great powers. But with fatal American directness he did not hide from the French his opinion that their country was a third-rate naval power—

which she is—and was impatient because they regarded this as an affront to their prestige. This tactlessness embittered the French and was one of the incentives for them to hamper the work of the conference and to refuse for a number of years to ratify the treaties there negotiated.

Similarly President Coolidge called the Geneva naval conference in 1927 on the direct and simple assumption that limitation of cruisers would contribute to world peace and that, as the United States had scrapped more battleships at the Washington Conference than had England, the English should now be willing to scrap cruisers so as to make it unnecessary for the United States to build so as to achieve parity. This also is the diplomacy of unsophisticated directness.

If the inexperience in foreign affairs of America's ambassadors referred to in the last chapter were counterbalanced by greater knowledge on the part of the executive and the Senate the difficulties might not be so many. But in the last half century only one American President has had extensive experience abroad (Herbert Hoover) and only one other has

had an intimate knowledge of world affairs and their practical conduct (Theodore Roosevelt). Despite the fact that one of the Secretaries of State since 1914 was Ambassador to Great Britain and another had served a legal apprenticeship in the Department of State none of these chief directors of America's foreign relations during these critical years has had a knowledge and an understanding of international politics.

As if this were not enough the members of the body which under the American constitutional practice largely determines the supervision which the Senate may exercise over the conduct of foreign relations have, with one exception, known nothing of Europe or Asia and are unqualified by background, temperament and education to understand international politics. The one member of the Senate Committee on Foreign Affairs who knew better was, unfortunately, moved in several crises by personal animosity or by political timidity. While his counsel was good he did not always have the courage to fight for his convictions.

Fortunately necessity is one of the world's great-

est teachers. Although at a given moment the lack of political sophistication of the American people seems almost hopeless it assumes a different aspect when viewed in its own perspective. As has been made abundantly clear in earlier chapters the United States, between the Napoleonic wars and the outbreak of the World War, had little reason to concern itself with Europe. Not only did the internal development of the country take up the energies and intelligence of the entire nation but such relations as existed with the rest of the world were comparatively unimportant. Europe needed the United States more than America needed Europe.

The amazing thing is not that the American people are still so ignorant of world affairs but that they have learned so much so quickly. The mere geographical distance of 3000 miles has been a great factor in retarding the nation's international education. Englishmen who remember the days when the English channel was a moat rather than a ditch know a little of the feeling of detachment which the Americans still enjoy. Distance lends disenchantment. Even those Americans who have been most

active in international affairs and have served their country abroad have their moments when they thank God for the good fortune which enabled them so long to live in complete detachment from the quarrels, hatreds and jealousies of Europe. For Englishmen to ignore this is to misunderstand America. This, in turn, is to postpone the day when the English-speaking peoples work in harmony for the practical insurance of world peace.

XI

PARTNERS FOR PEACE

JUST as Englishmen have failed to appreciate the underlying reasons for America's aloofness from European affairs, so Americans have tended frequently to overlook the part which geographical propinquity has played in preventing England from following towards Europe as consistent a policy of isolation as her people long desired. In both cases superficial indications have caused the misunderstanding. Englishmen, recalling that the United States has fought European nations, are inclined to think that her insistance on "non-entanglement" is mere lip-service to a policy more observed in the breach than in the performance. Americans, with the "splendid isolation" of England under Victoria in mind, have failed to see that even in her aloofness England was still actively concerned in shaping European affairs.

The apparent similarity between the American

and the British policies is enhanced when it is realized that "splendid isolation" was as popular in Britain as it was resented abroad and that England's "selfishness" in following her own interests was as much the object of continental revilement as were the insularity of her leaders and the superior airs of her tourists. So when the United States followed a similar policy, dictated by like reasons, and accompanied by a form of provincialism and by an arrogance on the part of tourists abroad which equalled that of Englishmen, America also was reviled. Both nations were grieved to be thus condemned for going their own way alone.

The very geographical position of the British Isles which removed them from the frontier quarrels of the Continent and enabled the English to live in security for centuries behind the screen of their navy made it also imperative for them to prevent any nation or group of allies from becoming sufficiently strong to endanger Britain's sea supremacy. It was to England's interests, therefore, to maintain a balance of power on the Continent. Only when one or other side threatened to dominate Europe and so

to disturb England's tranquillity did the British interfere—usually to support or to join forces with the weaker belligerent, even if in so doing she abandoned a friend grown too strong.

The English thus found themselves constantly torn by two opposing forces—the desire to be free from the quarrels of Europe, and the necessity of interfering in these quarrels when they affected England's interests. Under the circumstances a judicious opportunism alone could be profitable. By wisely throwing her weight first on one side, then on the other, Great Britain managed to avoid armed intervention in Europe between the Napoleonic wars and 1914.

But throughout this period the interplay between overseas and European interests was so close that developments in one region affected those in another. So, for example, it was no mere chance that the decision of the Germans to challenge England's sea supremacy was followed by the Anglo-Japanese alliance. The growth of Germany made it necessary for Great Britain to return most of her Asiatic fleet to European waters. In order to counterbalance

the possible danger which might consequently have threatened her Asiatic possessions she made the alliance with Japan, which well served the interests of both nations for more than a dozen years.

In other parts of the world as well Great Britain, through the Empire, was rubbing shoulders with European interests. Russia was forever covetously looking on India. In Africa and the Near East the French and later the Italians tried to thwart the British. The Boer War brought forth the first active opposition of Germany in the form of the Kaiser's celebrated telegram to President Kruger. Despite her isolation, therefore, England was constantly in contact with Europe and all the world—contact made inevitable by the position of her islands, the extensive nature of her empire, and the intimate commercial and financial connections which she had with all parts of the globe.

America's tradition of non-participation in world alliances and quarrels had its origin in similar circumstances, but, thanks to even greater geographical detachment, met with longer success. The war between England and France in 1793 was the cause

for the direct formulation of America's policy. President Washington on that occasion issued a proclamation of neutrality which best suited the interests of the young republic. The principle on which it was based was elaborated in the famous "Farewell Address" three years later and epitomized by Thomas Jefferson in 1823 when the enunciation of the Monroe Doctrine was being considered.

As this attitude has so profoundly shaped America's foreign relations it is pertinent here to re-examine the original words of Washington and Jefferson even though these have been so often quoted during the last decade as to have become trite.

"Europe" (said the retiring President Washington) "has a set of primary interests which to us have none or a very remote relation. Hence she must be engaged in frequent controversies, the causes of which are essentially foreign to our concerns. Hence, therefore, it must be unwise in us to implicate ourselves by artificial ties in the *ordinary* vicissitudes of her politics or the *ordinary* [1] combinations of her friendships and enmities. . . .

"Our detached and distant situation invites and enables us to pursue a different course. . . . Why forego the advantages of so peculiar a situation? . . . Why by interweaving our destiny with that of any part of Europe,

entangle our peace and prosperity in the toils of European ambition, rivalship, interest, humour or caprice? . . . It is our true policy to steer clear of *permanent alliances* [1] with any portion of the foreign world. . . ."

Jefferson put the whole matter even more succinctly in his letter to President Monroe when he pointed out that

"Our first and fundamental maxim should be, never to entangle ourselves in the broils of Europe. Our second, never to suffer Europe to intermeddle with cis-Atlantic affairs."

It should be noted that President Washington emphasized aloofness from the *ordinary* combinations and vicissitudes of European policy, thus implying that on extraordinary occasions a different policy might be dictated. This was, in fact what happened when America's interests were directly threatened by foreign powers. Just as England's isolation, based on self-interest, was abandoned when such a departure was expedient so America's policy did not prevent the United States from virtual war with France in 1799, from fighting the Barbary pirates in 1804, from declaring war on England in

1812, and at the end of the century going to war with Spain.

Not until the World War, however, did America's position take on the same character as had England's. Even then her leaders were unaware of the change. The American Government in 1914 was directed by men who knew nothing of European affairs and who, in consequence failed to understand that the political and industrial structure of the United States was and had been for years dependent on the maintenance of the status quo throughout the world. It took two years for President Wilson to realize that a German victory and the breakup of the British Empire would have forced a complete reorientation of American policy. In place of a surfeited Britain, accustomed for a century to cooperate with the United States in the affairs of the Western hemisphere would have been an aggressive, militaristic, ambitious Germany, proud of her strength, resentful of the aid given by the neutral United States to the Allies, and anxious to obtain her imagined "share" of the new world. Even if Germany had contented herself with Jamaica the mere

fact that the new Empire was "on the make" whereas Britain was on the defensive, would have forced the United States to abandon her concentration on internal affairs and to have prepared for conflict in the event that the Junkers sought special privileges in the Americas. With such a neighbour the United States could never have lived in her accustomed state of self-centred peace. The defeat of Germany was therefore of direct interest to America. When the submarine campaign made war opportune as well as indispensable the United States entered the fray.

But this interference in the affairs of Europe was for a specific purpose—obviously not one of those "ordinary" combinations and collisions against which Washington warned his fellow-citizens. This very fact made subsequent withdrawal inevitable. To most Europeans it seemed in 1919 as if the United States was shirking a responsibility. To Americans, determined not to be shouldered with the settlement of the quarrels of Europe, the withdrawal of the United States was the natural consequence of a long established policy. Tradition,

based originally on self-interest, dictated non-entanglement in the liquidation of Europe's latest "broil." However unethical America's conduct, the policy of aloofness was—and still is—dominant. The American people today are even more determined than were the English of the last century not to be drawn into European politics until interference is inescapable.

This reluctance to take part in the political liquidation of Europe does not preclude political co-operation in the pursuit of specific objectives or to meet particular emergencies and has not prevented American bankers from playing a leading part in the financial and economic rehabilitation of Europe. Instead it reflects an instinctive distrust of written commitments to abide by an unforseeable course of political action. It has not prevented the United States from taking part in joint diplomatic enterprises with other powers to achieve a particular end (in China during the Boxer uprising) or from signing treaties providing for international cooperation in preventing war (the Four Power Pact of the Washington Conference and the Treaty for the

Renunciation of War as an Instrument of Policy). But it has had such an influence in keeping the United States apart from international political agreements that even Woodrow Wilson, the apostle of American internationalism, insisted in the World War that the United States was only an "associate" and not an "ally."

This abstention from extensive political commitments has not diminished the many bonds between the English-speaking nations. The dislike of conservative Englishmen for America's foreign policy has only occasionally been shared by the Dominions. In fact, the United States has many interests in common with the Dominions, and Americans feel closer to the peoples of the Dominions than they do to the English themselves. All alike are proud of their common past and pay tribute to the spiritual and cultural heritage which they share with Englishmen. They appreciate to the full what they owe to those earlier Britishers who took into the new worlds the Englishmen's tradition of self-government and their ethical codes. But a gap in point of view separates all these people

from the English. Americans do not look on Canadians as foreigners. Australians, New Zealanders and South Africans seem like Westerners with slightly different accents.

Like the Americans the citizens of the Dominions have been subject to the influence of the frontier. Only a paper line separated the westward movement of the American and the Canadian pioneers. Both met the same problems in the same sort of country under similar climatic conditions. In fact many a pioneer who began his westward journey on one side of the line ended it on the other. Furthermore hundreds of thousands of Americans settled in Canada and of Canadians in the United States. In winter Canadians flock to New York, California and Florida and mingle indistinguishably with the Americans. In summer Americans go to Canada for rest and recreation, no more conscious of visiting a foreign country than are the Canadians when they cross into the United States.

While Americans have not the same intimate contact with Australians and New Zealanders they feel bound to them by the knowledge of similar experi-

ences in opening up new continents and in the realization that, like the Canadians, the people of the Antipodes are as one with the Americans in regard to the problems of the Pacific. In the matter of Asiatic immigration in particular—for the new countries a matter of life or death—sentiment is unanimous. In different ways each of the four English-speaking nations in the Pacific has accomplished the same end—the exclusion of oriental cheap labour.

The gradual shift of the theatre of world events from the Atlantic to the Pacific has resulted in a greater community of interest in commercial affairs as well between the four English-speaking Pacific powers. Furthermore Australia is as much or even more concerned than is the United States about the rigid maintenance of the political status quo in the Pacific area. The independence of the Philippines, the loss by the Dutch of the Netherlands East Indies, the failure to complete the naval base at Singapore, would be harmful alike to the interests of all four Pacific powers. As the participation of Australia, New Zealand and Canada in the trade

of the Pacific grows more active the interdependence of all nations bordering the Pacific will increase with the result that anything which threatens the peace in any part will be injurious to the interests of all concerned.

It is through the Dominions, therefore, that a working understanding between the United States and the British Empire is to be sought. In particular is Canada the interpreter of the United States to England and of Britain to the United States. No nation understands the United States better, even though she resents certain American attitudes. She knows the American people as she does her own, and understands their weaknesses and their good qualities. She follows American politics, is familiar with American politicians, and appreciates, even if she does not completely sympathize with, America's traditional aloofness towards Europe.

To balance this Americans have absolute faith in Canadians whereas they have never overcome their historic suspicion that the English are trying to "do them in." As a Frenchman once put it, if an English high official expresses satisfaction with the

progress of Anglo-American negotiations the government in Washington tends to withdraw, sure that England has "put something over" on the United States. In the case of Canadians, however, no such sentiment exists. Americans not only know and understand them thoroughly but they realize that Canada's interests are so like America's that there is no cause for them to seek subtly to undermine America's advantages.

The danger exists, however, that the Americans will adopt toward the Canadians that same insufferable air of superiority which the English so long held towards the Americans. Between nations such things should, of course, count for nothing. But in fact they count for much. Nor is the situation alleviated by the knowledge that Americans have even less desire to "lord it over" the Canadians than have the English vis-a-vis the Americans. Such matters are determined by the sum of individual contacts. The cocksureness of the American is too often unconscious. So also, the excessive reserve of the Englishman coupled with his natural shyness leads him into attitudes of apparent unfriendliness

and occasional arrogance which in nine out of ten cases he neither feels nor wishes to show. But the ignorance of the average Englishman about the United States and of Americans and Englishmen alike about Canada is responsible for many misunderstandings.

Even though an Anglo-American alliance is impractical there is no reason why there cannot be an effective working agreement between the English-speaking nations. They have much the same objectives. As great trading nations both are vitally concerned to see peace maintained so that prosperity may flourish. In matters political they have the opportunity of cooperating in the interest of actual world disarmament by joining forces in bringing pressure to bear against any nation which attempts to embark on a dangerous naval or military program. It stands to reason that once parity on a reduced basis between the British and the American navies is an accomplished fact it will be to the interest of both nations to see that no other power builds a fleet to threaten either.

As part of this policy is the reservation that each,

in its own spheres, has individual rights and duties of exercising police power for the suppression of disorder. Great Britain cannot, of course, permit frontier outbreaks in India, or grave disorders in Egypt or elsewhere to endanger the peace of the Empire. Likewise the United States is bound to use its good offices to check disturbances which threaten the Panama Canal and the Philippines, and to uphold the Monroe Doctrine.

In matters commercial and financial the path of cooperation is already blazed—joint development of industries at home and abroad, and common participation in foreign financial operations. The large English holdings of the stocks of American railroads and industrial concerns and the increasing investments by Americans in British plants and factories are an encouraging sign. Unfortunately the reactionary policy of an influential group of English business men and bankers has, as previously indicated, temporarily placed difficulties in the way of this sort of cooperation. If it is to be genuinely effective it must be on a fair and equitable basis. Efforts of the stockholders in British companies to

curtail the rights of Americans, like their attempts to limit the proportion of stock which Americans may hold, are not only contrary to British interests but so much against the British spirit of fair play that they cannot be expected to be long maintained. Neither country may exclude the nationals of the other from legitimate business and financial enterprises within its territories.

Most important of all because most difficult to achieve, is the necessity for a fuller understanding by each people of the problems and attitudes of the other. So, for example, it is essential that Americans realize not only the European complications in England's existence but also the extent and nature of the Imperial interests. Not one American in a hundred appreciates the importance of India to the Empire, nor knows how much the English have done in exchange for the benefits which they have derived from India during the past century. Most Americans are ignorant of the fact that at the same time that England has profited from her China trade she has been a great factor in the modernization of that country and, through the concessions

(foreign cities) which she controls has given protection to hundreds of thousands of Chinese refugees and has brought them prosperity. Americans do not see that while England's hold over Egypt has had as its primary purpose to protect England's main line of communications with the East, the fact that Suez has thus been kept open to the world through war and peace has been of inestimable benefit to mankind. Englishmen have often been stupid, have occasionally blundered and have always looked after British interests, but rare are the cases when their imperial outposts or their colonies have not brought material gains to other people beside themselves.

For Great Britain the task is to hold so much of her world empire as still remains within her control. She has no aggressive designs. She seeks no territorial aggrandizement. But her possessions are so scattered and include such an enormous variety of peoples and conflicting interests, that she has her hands full maintaining order. As if this were not enough she sees in the Dominions a growing sense of nationhood which, while it does not necessarily

premise a weakening of loyalty to Britain implies an increasing independence of action on the part of those portions of the commonwealth on which she originally built her fondest hopes.

It is a serious problem for Britain to know how to coordinate an Imperial foreign policy in which the Dominions now have a voice equal to that of Downing Street. Obviously the danger exists that the growth of Dominion nationalism will, in fact, weaken the unity of the Empire. Certainly it may paralyse needed action in emergencies. But even if the bonds were to be further loosened the sense of kinship would still count for much. If the feeling also prevailed that the United States were a close rather than a distant relative, the possibilities of practical cooperation would be unlimited.

It would be foolish to pretend that America's lack of knowledge and understanding of world affairs, coupled with the handicaps which the American system of government places on the carrying out of any consistent foreign policy, does not present a serious obstacle in the way of effective Anglo-American cooperation. Sad experience has taught

the British that the United States is not always willing to bear her full share of responsibilities. This fact is not neutralized by the fondness of the British for considering "cooperation" as a synonym for "following British leadership."

The problem now, however, is not one of leadership but of adjustments. Englishmen know better than do Americans that a new force has appeared in world affairs sufficiently strong to transform old political relationship by the mere weight of its existence. Rich in natural resources beyond the wildest dreams, producing new wealth in vast quantities, capably organized, with a vigorous population not afraid of work, rapidly expanding its trade and its financial interests throughout the world, this new power is as yet only in its youth.

Just as England does not realize that it is too much to demand that this youth discover its budding strength modestly so the United States does not stop to think that England cannot be expected to face advancing age gracefully. If the United States better appreciated her strength she might more easily understand England's burdens. If England

more clearly recognized the close kinship between the United States and the Dominions she would find it easier to work out a form of partnership which would be based not on rivalry but on the pursuit of common interests to mutual advantage. This is the only sound basis for an enduring *pax Anglo-Americana.*

NOTES

Chapter II

1. "Coal, Iron and War," New York, 1920.
2. Davenport & Cook, "The Oil Trusts and Anglo-American Relations," London, 1923, p. 160.
3. L. Denny, "We Fight for Oil," p. 32.
4. "Petroleum Facts and Figures," New York, 1928. American Petroleum Institute.
5. "The Oil Trusts and Anglo-American Relations," p. 56-57.
6. $285 per ton, Spurr, "Political and Commercial Geology," New York, 1920, p. 322.
7. W. S. Culbertson, "Raw Materials and Foodstuffs in the Commercial Policies of Nations," in "The Annals of the American Academy of Political and Social Science," March, 1924, p. 51.
8. Ibid., p. 52.
9. Memorandum to the author from J. W. Frey, U. S. Bureau of Mines.
10. Coal and Iron estimates from E. C. Eckel ("Coal, Iron and War"). Copper estimate from Spurr, "Political and Commercial Geology," p. 266. Nickel estimate from I. Bowman, "The New World" (4th Edition), p. 778.
11. Mr. Franklin, President of the Independent Petroleum Association of America in "National Petroleum News," July 24, 1929.

Chapter III

1. G. G. Chisholm, "Handbook of Commercial Geography," London, 1919, p. 182.
2. Spurr, p. 59.
3. League of Nations, "Report on International Trade and Balances of Payments, 1912-1926," volume 1, p. 12. Germany's share

of the total World trade in 1913 was 13.12% and England's 15.24%.

4. Atlantic Monthly, May, 1927, p. 292.
5. Commerce Year Book, 1928, pp. 266, 267.
6. Julius Klein, "Frontiers of Trade," p. 63.
7. Atlantic Monthly, May, 1927, p. 292.
8. This table consists of averages made by combining estimates in the Commerce Year Book for 1928, with estimates by the League of Nations International Statistical Year Book, 1926, and from other government estimates.
9. Commerce Year Book, 1928.
10. Based on estimates from Commerce Year Book and on the table in "The British Empire," by Albert Demangeon, p. 210.
11. Based mostly on the foregoing tables of consumption and production.
12. In the case of the United Kingdom only such articles are listed as cannot be obtained within the Empire, and must, therefore, be obtained from foreign countries. British figures from Bowman's "New World," p. 38. U. S. figures from governmental sources.

Chapter IV

1. Figures from Commerce Year Book, 1929.
2. Based on trade reports of U. K., 1927.
3. Exports fell from 32.9% in 1913 to 22.9% in 1926 and imports from 43.4% to 33.8%. See League of Nations "Report on Balance of International Payments, 1927."
4. 20% in 1923 to 16.4% in 1927, ibid.
5. 21.6% in 1913, 32.6% in 1928.
6. Figures from Statistical Abstract of the United Kingdom and from U. S. Commerce Year Book. Britain's imports of foodstuffs were 42.4% in 1901; and 44.4% in 1928. Her imports of manufactured goods were 25.2% in 1901 and 26.6% in 1928. Her exports included 80.2% of manufactured goods in 1901 and 80.1% in 1928.
7. 44.4% in 1928, compared to U. S. imports of 23.3%.
8. 80.1% to America's 59.2%.

9. Great Britain's imports of "raw materials and articles mainly manufactured" are listed in the British Statistical Abstract for 1927 as valued at $1,709,000,000 for that year. America's imports of "crude materials" alone for that year was given by the Department of Commerce at $1,601,000,000. If to this be added the classification "Semi-manufacturers" which includes articles listed in England as "Mainly unmanufactured," America's total comes to $2,351,000,000.
10. Of chilled and frozen beef imported into the United Kingdom 80.8% came from South America in 1928, compared with 71.3% in 1913. Of mutton and lamb 34.1% were of South American origin in 1928, compared with 25.8% in 1913. Argentine furnished 23.4% of England's wheat imports in 1928, compared to 13.9% in 1913. While the United States's share fell from 32.2% to 22.9% in this period, Canada's share rose from 20.6% to 39.6%. In other words, 62.5% of England's wheat imports in 1928 came from North America.
11. Europe's share in 1927 was only 14 per cent.
12. 46.7%, based on U. S. Statistical Abstract.
13. 22.3%, ibid.
14. Europe, 26.4%, and Asia and Oceania, 44.4%.
15. 10%.
16. About 5%.
17. About 6%.
18. Africa furnished 15.9%.
19. "Our Trade with Latin America," National Foreign Trade Council, New York, 1929.
20. 1913 figures from League of Nations "Memorandum on International Trade and the Balance of Payments, 1912-26." Others from Commerce Year Book, 1928, Vol. II.
21. The latest figure (for 1927) is 37.3% according to a memorandum from the U. S. Department of Commerce.
22. "Survey of Overseas Markets" made by "Balfour" Committee on Industry and Trade for the Board of Trade, p. 545.
23. Ibid., p. 455.
24. League of Nations International Economic Conference, 1927, "Tariff Level Indices," p. 37.
25. International Customs Journal, 1928-1929, No. 2.

26. Department of Commerce memorandum.
27. Survey of Overseas Markets (see note 22 above), p. 545.
28. Letter to author from Dr. Julius Klein.

Chapter V

1. Letter to author from U. S. Department of Commerce, May 18, 1929.
2. R. W. Dunn, "American Foreign Investments," p. 2.
3. B. H. Williams, "Economic Foreign Policy of the United States," p. 16, quoting from W. Z. Ripley, "Railroads, Finance and Organization," p. 5.
4. Dunn, p. 3.
5. Dunn, p. 2.
6. H. E. Fisk, "The Inter-Ally Debts," p. 307, makes it $2,605,000,000 in 1913.
7. Dunn, p. 4.
8. U. S. Department of Commerce, Bulletin 613, p. 3.
9. New York Times, July 21, 1929.
10. "The Balance of International Payments of the United States in 1928," Department of Commerce Bulletin 625, p. 48.
11. American statistics from Department of Commerce Bulletin No. 613, p. 3: English, from London Economist, "Commercial History and Review," Feb. 9, 1929, p. 72.
12. This table is based on figures from various sources including L. H. Jenks, "The Migration of British Capital to 1875," H. E. Fisk, "The Inter-Ally Debts," The London Economist, The U. S. Department of Commerce, and other sources.
13. L. H. Jenks, "Migration of British Capital to 1875."
14. A. E. Davies, "Investments Abroad," p. 138.
15. See Davies, p. 25, Current History, January, 1926 (article by Raymond Turner) and Jenks, Chapter IV.
16. U. S. Department of Commerce, letter to author, May 23, 1929, based on table by Nash.
17. "The London Economist" in a letter to author, July 22, 1929, places the figure at 25%.
18. Letter to author.

19. The following table shows the percentage which government bonds formed of the total new issues of foreign securities offered in the American and English markets between 1921 and 1928. (U. S. figures compiled from Department of Commerce Bulletin 613. U. K. Figures compiled from London Economist, Jan. 3, 1925, and Dec. 29, 1928.)

	U. S.	*U. K.*
1921	70.	70.5
1922	68.	56.
1923	64.	70.
1924	62.	73.
1925	50.5	40.
1926	35.5	55.
1927	44.	45.5
1928	32.5	53.

20. Based on notes compiled by H. E. Fisk, Bankers Trust Company, New York.
21. Kindersley, Economic Journal, March, 1929.
22. Evans Clark, "Investments in Central and South America," New York Times, January 15, 1928.
23. Dominion Bureau of Statistics as reported in New York Sun, June 21, 1929.
24. Clark (see note 22).
25. Figures based on Clark's total and on Crammond.
26. Excluding Mexico, Central America and the Caribbean.
27. June 21, 1929, as reported in New York World, June 22, 1929, the railroads are the Great Southern, the Entre Rios and the B. A. Western.

Chapter VI

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2. J. W. Jeudwine, "Studies in Empire and Trade," London, 1923, p. 289.
3. Quoted by Benson, p. 9.
4. "The American Merchant Marine Problem."
5. E. E. Pratt, "International Trade in Staple Commodities," New York, 1928, p. 421.

6. "The American Merchant Marine Problem," p. 72.
7. Ibid., p. 74.
8. Ibid., p. 72.
9. Calvin & Stuart, "The Merchant Shipping Industry," p. 226.
10. E. C. Fayle, "The War and the Shipping Industry," p. 39.
11. Except when otherwise stated these figures are from "The American Merchant Marine Problem."
12. See Brassey's Annual.
13. Ibid.
14. "The American Merchant Marine Problem," pp. 39-40.

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1. Grey of Fallodon, "Twenty-Five Years," Volume II, p. 107.
2. T. G. Frothingham, "The Naval History of the World War," Volume III, pp. 22, 23.
3. "Seaborne Trade," Volume III (E. C. Fayle), pp. 92, 93.
4. "The American Merchant Marine Problem," p. 67.
5. E. C. Fayle, "The War and the Shipping Industry," p. 39.
6. Ibid., p. 45.
7. Archibald Hurd, "The Merchant Navy," Volume II, p. 156.
8. Frothingham, "The Naval History of the World War," Volume III, Chapter 6.
9. Ibid., p. 49.
10. Ibid., p. 46.
11. "Records of the Conference for the Limitation of Naval Armament held at Geneva in 1927." 70th Congress, Senate Document No. 55, p. 66.
12. E. M. House, "Intimate Papers," Volume IV, pp. 418-19.
13. According to the leading editorial in the *New York Times* for November 24, 1928, presumably based on authentic but theretofore unpublished information, it is to Lord Lee of Fareham, First Lord of the Admiralty in 1921, more than to any other individual, that the inspiration for the Washington Conference for the limitation of armaments is due.
14. Figures compiled by the author from lists published by U. S. Navy Department. The actual lists of ships scrapped show the following:

	U. S.	*U. K.*
Obsolescent ships scrapped.	17—267,740	24—500,000
New ships under construction scrapped	11—465,000	.....
New Ships projected but not laid	.....	4—192,000
	28—733,540	28—692,000
Obsolescent ships retained but rendered useless for military service	2— 21,840	2— 39,250
New ships scrapped as battle cruisers but retained as aircraft carriers	2— 87,000	.....
	32—842,194	30—731,250

America's ships under construction averaged about 28.1% completion. England's new ships scrapped had very little work done upon them, but would probably have been built had there been no conference. Of England's old ships scrapped 16 were not carried on the lists, i.e., were considered of limited value for combat purposes. All but two of America's old ships were of pre-dreadnought class and hence of limited value. The average age of England's old ships scrapped was about 11 years, and of America's about 17 years. The value of America's ships under construction was much greater than that of the four new ships whose contracts were cancelled by Great Britain.

15. The figures on relative cruiser strength are based on "Fleets of the British Empire and Foreign Countries" for the British figures, and on official data published by the office of Naval Intelligence for the American figures.
16. The statistics in this paragraph except where otherwise stated are from the official minutes of the Geneva conference.
17. Viscount Cecil of Chelwood quoted by Kenworthy and Young, "The Freedom of the Seas," p. 180.

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1. "The Freedom of the Seas," Sir Francis Taylor Piggot, Handbook prepared under the direction of the Historical section of the foreign office, p. 3.
2. Ibid., p. 6.
3. "Intimate Papers of Col. House," Volume III.

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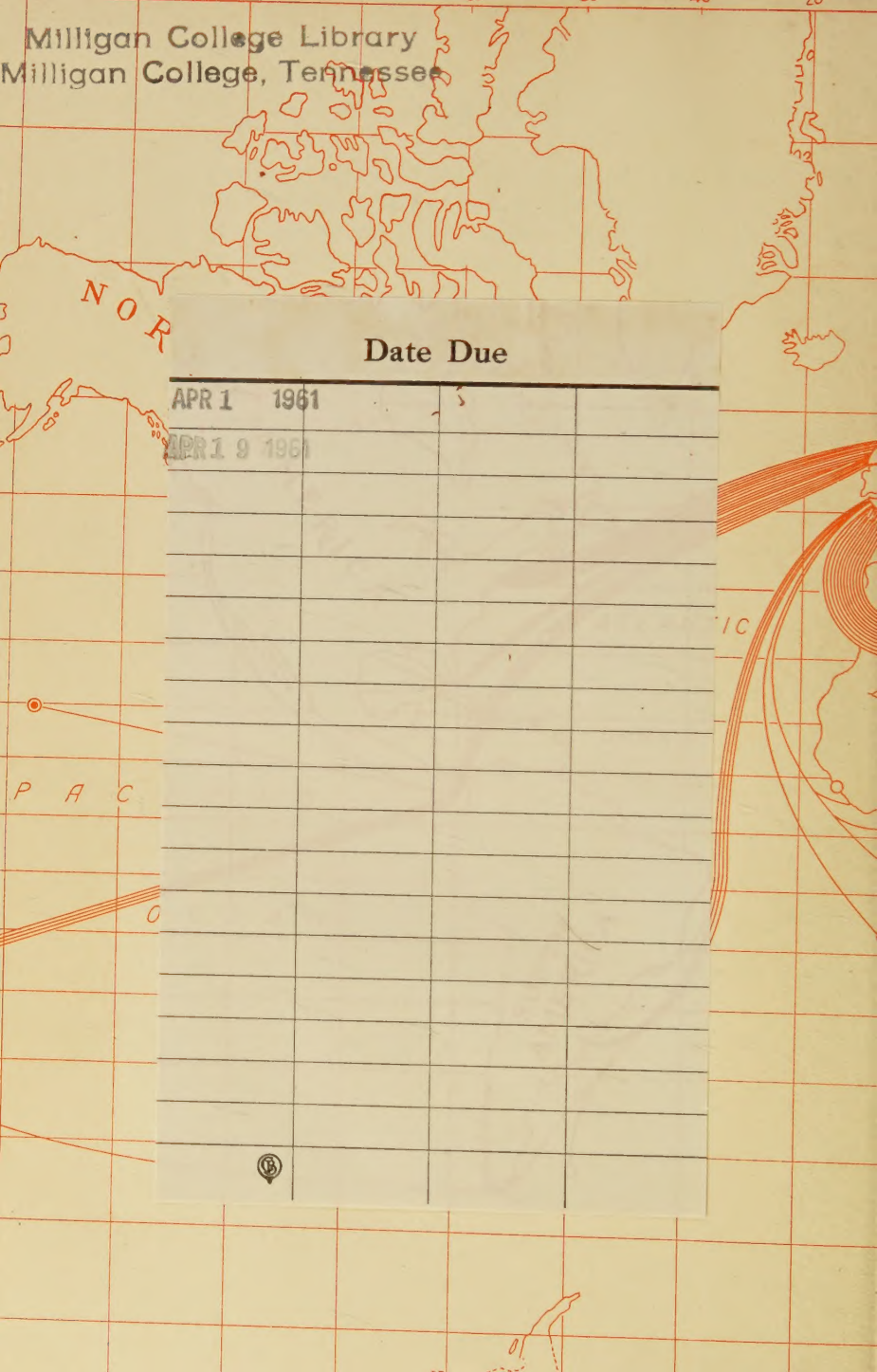

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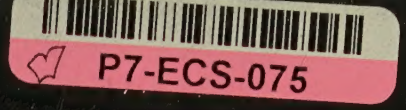
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